COVER SHEET
for
SEC FORM 17-Q

SEC Registration Number

0	6	9	-	0	3	9	2	7	4	

COMPANY NAME

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

Level 11, PHINMA PLaza, 39 Plaza DrIve, RoCkwEll Center, Makati CIty

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	NA	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.transasia-energy.com	870-0100	–
No. of Stockholders	**Annual Meeting (Month / Day)**	**Fiscal Year (Month / Day)**
3,225	04/25	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Yolanda D. Añonuevo	ydanonuevo@phinma.com.ph	870-0100	–

CONTACT PERSON's ADDRESS

Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City, Philippines 1200

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2016**

2. Commission identification number **39274**

3. BIR Tax Identification No. **000-506-020-000**

4. Exact name of issuer as specified in its charter
   TRANS-ASIA OIL & ENERGY DEVELOPMENT CORPORATION

5. Province, country or other jurisdiction of incorporation or organization **Metro Manila**

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office Postal Code
   Level 11 Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City, 1210

8. Issuer's telephone number, including area code **(632) 870-0100**

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Number of shares of common stock outstanding	**4,866,941,187 shares**
Amount of debt outstanding	**Php 7.2 billion**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [X] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
    Philippine Stock Exchange **Common**

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [X] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.

    Yes [X] No [ ]

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

Please refer to attached ANNEX "A."

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Please refer to attached ANNEX "B."

PART 11 – OTHER INFORMATION

Please refer to attached ANNEX "C"

Signatures

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on May 11, 2016.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

Raymundo A. Reyes Jr.
RAYMUNDO A. REYES, JR.
Senior Vice President

MARIEJO P. BAUTISTA
SVP – Finance and Controller

ANNEX A

Trans-Asia Oil and Energy Development Corporation and Subsidiaries

Consolidated Financial Statements
March 31, 2016 and December 31, 2015
and The First Quarter Ended March 31, 2016 and 2015

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	March 31 2016 *(Unaudited)*	December 31 2015 *(Audited)*
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 32)	**₱358,168**	₱355,743
Investments held for trading (Notes 7 and 32)	**612,749**	942,142
Receivables (Notes 8, 28, and 32)	**3,844,363**	3,466,310
Fuel and spare parts - at cost (Note 9)	**275,006**	310,929
Other current assets (Note 10)	**971,480**	1,052,366
Total Current Assets	**6,061,766**	6,127,490
Noncurrent Assets		
Property, plant and equipment (Note 11)	**7,312,512**	7,381,816
Investments and advances (Note 12)	**4,291,216**	4,171,641
Available-for-sale investments (Notes 13 and 32)	**297,032**	295,768
Investment properties (Note 14)	**25,852**	26,341
Goodwill and other intangible assets (Note 15)	**432,172**	434,586
Deferred income tax assets - net (Note 27)	**32,759**	31,303
Other noncurrent assets (Note 16)	**172,849**	157,328
Total Noncurrent Assets	**12,564,392**	12,498,783
TOTAL ASSETS	**₱18,626,158**	₱18,626,273

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 17, 28 and 32)	**₱3,058,400**	₱3,104,537
Income and withholding taxes payable	**47,653**	65,517
Due to stockholders (Notes 19, 28, and 32)	**11,477**	11,570
Current portion of long-term loans (Notes 18 and 32)	**58,093**	58,454
Total Current Liabilities	**3,175,623**	3,240,078
Noncurrent Liabilities		
Long-term loans - net of current portion (Notes 18 and 32)	**7,119,689**	7,131,048
Pension and other employee benefits	**36,929**	33,813
Deferred income tax liabilities - net (Note 27)	**138,579**	142,554
Other noncurrent liabilities	**119,118**	118,383
Total Noncurrent Liabilities	**7,414,315**	7,425,798
Total Liabilities	**10,589,938**	10,665,876

(Forward)

	March 31 2016 *(Unaudited)*	December 31 2015 *(Audited)*
Equity		
Capital stock (Note 19)	**₱4,866,941**	₱4,865,146
Additional paid-in capital	**42,094**	40,783
Other equity reserve (Note 19)	**34,913**	34,913
Unrealized fair value gains on available-for-sale investments (Note 13)	**102,745**	101,478
Remeasurement losses on defined benefit plan	**(2,735)**	(2,735)
Accumulated share in other comprehensive loss of a joint venture (Note 12)	**(250)**	(357)
Retained earnings (Note 19)	**2,917,843**	2,845,559
Treasury shares (Note 5)	**(28,793)**	(28,793)
Total equity attributable to equity holders of Parent Company	**7,932,758**	7,855,994
Non-controlling interests (Note 30)	**103,462**	104,403
Total Equity	**8,036,220**	7,960,397
TOTAL LIABILITIES AND EQUITY	**₱18,626,158**	₱18,626,273

See accompanying Notes to Consolidated Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Figures)

	For the Quarters Ended	
	Jan – Mar 2016 *(Unaudited)*	Jan – Mar 2015 *(Unaudited)*
REVENUES		
Revenue from sale of electricity (Notes 3 and 21)	**₱3,126,796**	₱2,908,746
Dividend income	**3,060**	4,199
Rental income	**1,272**	1,106
	3,131,128	2,914,051
COSTS AND EXPENSES		
Costs of sale of electricity (Notes 3, 22, 24, 25 and 28)	**2,732,946**	2,635,608
General and administrative expenses (Notes 23, 24 and 25)	**130,320**	97,853
	2,863,266	2,733,461
INTEREST AND OTHER FINANCE CHARGES (Note 26)	**(117,242)**	(107,730)
EQUITY IN NET INCOME (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 12)	**119,467**	(2,677)
OTHER INCOME (LOSS) - NET (Note 26)	**5,309**	4,778
INCOME BEFORE INCOME TAX	**275,396**	74,961
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)		
Current	**15,879**	11,873
Deferred	**(5,511)**	(1,465)
	10,368	10,408
NET INCOME	**₱265,028**	₱64,553
Net Income (Loss) Attributable To:		
Equity holders of the Parent Company	**₱265,969**	₱65,455
Non-controlling interests (Note 30)	**(941)**	(902)
	₱265,028	₱64,553
Basic/Diluted Earnings Per Share (Note 29)	**₱0.05**	₱0.01

See accompanying Notes to Consolidated Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	For the Quarters Ended	
	Jan – Mar 2016 *(Unaudited)*	Jan – Mar 2015 *(Unaudited)*
NET INCOME FOR THE YEAR	**₱265,028**	₱64,553
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		
Net changes in the fair market value of AFS investments (Note 13)	**1,377**	34,483
Income tax effect	**(110)**	(202)
	1,267	34,281
Share in other comprehensive income (loss) of a joint venture - net of deferred income tax (Note 12)	**107**	(585)
	107	(585)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**1,374**	33,696
TOTAL COMPREHENSIVE INCOME	**₱266,402**	₱98,249
Total Comprehensive Income (Loss) Attributable To:		
Equity holders of the Parent Company	**₱267,343**	₱99,151
Non-controlling interests (Note 30)	**(941)**	(902)
	₱266,402	₱98,249

See accompanying Notes to Consolidated Financial Statements.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE QUARTERS ENDED MARCH 31, 2016 AND 2015

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company *(Unaudited)*										
	Capital Stock (Note 19)	Additional Paid-in Capital	Other Equity Reserve (Note 19)	Unrealized Fair Value Gains on Available-for-Sale Investments (Note 13)	Remeasurement Losses on Defined Benefit Plan	Accumulated Share in Other Comprehensive Income of a Joint Venture	Retained Earnings (Note 19)	Treasury Shares (Note 5)	Total	Non-controlling Interests (Note 30)	Total Equity
BALANCES AT DECEMBER 31, 2015	**₱4,865,146**	**₱40,783**	**₱34,913**	**₱101,478**	**(₱2,735)**	**(₱357)**	**₱2,845,559**	**(₱28,793)**	**₱7,855,994**	**₱104,403**	**₱7,960,397**
Net income (loss)	**–**	**–**	**–**	**–**	**–**	**–**	**265,969**	**–**	**265,969**	**(941)**	**265,028**
Other comprehensive income (loss)	**–**	**–**	**–**	**1,267**	**–**	**107**	**–**	**–**	**1,374**	**–**	**1,374**
Total comprehensive income (loss)	**–**	**–**	**–**	**1,267**	**–**	**107**	**265,969**	**–**	**267,343**	**(941)**	**266,402**
Dividends declared (Note 19)	**–**	**–**	**–**	**–**	**–**	**–**	**(193,685)**	**–**	**(193,685)**	**–**	**(193,685)**
Issuance of stock options (Note 20)	**1,795**	**1,311**	**–**	**–**	**–**	**–**	**–**	**–**	**3,106**	**–**	**3,106**
	1,795	**1,311**	**–**	**–**	**–**	**–**	**(193,685)**	**–**	**(190,579)**	**–**	**(190,579)**
BALANCES AT MARCH 31, 2016	**₱4,866,941**	**₱42,094**	**₱34,913**	**₱102,745**	**(₱2,735)**	**(₱250)**	**₱2,917,843**	**(₱28,793)**	**₱7,932,758**	**₱103,462**	**₱8,036,220**
BALANCES AT DECEMBER 31, 2014	₱4,865,146	₱38,258	₱35,991	₱74,515	(₱1,454)	₱215	₱2,128,208	(₱28,793)	7,112,086	₱110,036	₱7,222,122
Net income (loss)	–	–	–	–	–	–	65,455	–	65,455	(902)	64,553
Other comprehensive income (loss)	–	–	–	34,281	–	(585)	–	–	33,696	–	33,696
Total comprehensive income (loss)	–	–	–	34,281	–	(585)	65,455	–	99,151	(902)	98,249
Dividends declared (Note 19)	–	–	–	–	–	–	(193,609)	–	(193,609)	–	(193.609)
Equity-based compensation expense (Note 20)	–	–	560	–	–	–	–	–	560	–	560
	–	–	560	–	–	–	(193,609)	–	(193,049)	–	(193,049)
BALANCES AT MARCH 31, 2015	₱4,865,146	₱38,258	₱36,551	₱108,796	(₱1,454)	(₱370)	₱2,000,054	(₱28,793)	₱7,018,188	₱109,134	₱7,127,322

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	For the Quarters Ended	
	Jan – Mar 2016 *(Unaudited)*	Jan – Mar 2015 *(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱275,396**	₱74,961
Adjustments for:		
Interest and other finance charges (Note 26)	**117,242**	107,730
Depreciation and amortization (Notes 11, 14, 15, and 25)	**108,111**	95,984
Loss (gain) on derivatives - net (Note 26)	**–**	(83)
Equity-based compensation expense	**–**	560
Dividend income	**(3,060)**	(4,199)
Interest and other financial income (Note 26)	**(4,396)**	(3,334)
Equity in net losses (earnings) of associates and joint ventures (Note 12)	**(119,467)**	2,677
Foreign exchange loss – net	**1,362**	87
Pension and other employee benefits	**2,684**	2,379
Loss (gain) on sale of:		
Marketable Securities (Note 26)	**(40)**	–
Operating income before working capital changes	**377,832**	276,762
Decrease (increase) in:		
Receivables	**(377,794)**	88,960
Fuel and spare parts - at cost	**35,455**	(48,562)
Other current assets	**(117,182)**	113,975
Increase in accounts payable and other current liabilities	**179,399**	335,716
Net cash generated from operations	**97,710**	766,851
Income taxes paid	**(12,885)**	(38,989)
Net cash flows from operating activities	**84,825**	727,862
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property, plant and equipment (Note 11)	**(₱33,993)**	(₱34,432)
Investments held for trading	**–**	(537,194)
Deferred exploration costs (Note 15)	**(1,634)**	(187)
Available-for-sale investments	**–**	(38)
Advances to associates	**–**	(21,250)
Proceeds from:		
Sale and redemption of investments held for trading (Note 7)	**332,163**	–
Sale of available-for-sale investments (Note 13)	**153**	–
Currency forward contracts	**98**	–
Increase in other noncurrent assets	**(2,219)**	–
Cash dividends received	**3,060**	4,199
Interest received	**1,008**	976
Net cash flows from (used in) investing activities	**298,636**	(587,926)

(Forward)

	For the Quarters Ended	
	Jan – Mar 2016 *(Unaudited)*	Jan – Mar 2015 *(Unaudited)*
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Issuance of capital stock (Note 19)	**3,106**	–
Payments of:		
Long-term loans (Note 18)	**(15,000)**	–
Cash dividends	**(193,685)**	(193,609)
Mortgage loan	**(390)**	–
Interest on long-term loans	**(160,859)**	(130,264)
Finance leases	**(207)**	–
Decrease in due to stockholders	**(93)**	–
Increase (decrease) in pension and other employee benefits and other noncurrent liabilities	**(12,547)**	2,741
Net cash flows used in financing activities	**(379,675)**	(321,132)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(1,361)**	(77)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**2,425**	(181,273)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**355,743**	541,571
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱358,168**	₱360,298

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except When Otherwise Indicated)

1. Corporate Information and Status of Operations

Trans-Asia Oil and Energy Development Corporation (TA Oil or "the Parent Company"), incorporated on September 8, 1969, and its subsidiaries, Trans-Asia Power Generation Corporation (TA Power), CIP II Power Corporation (CIPP), Trans-Asia Renewable Energy Corporation (TAREC), Trans-Asia Gold and Minerals Development Corporation (TA Gold), Trans-Asia Wind Power Corporation (TAWPC), One Subic Power Generation Corporation (One Subic), Trans-Asia Petroleum Corporation (TA Petroleum) and Palawan55 Exploration & Production Corporation (Palawan55), collectively referred to as "the Company", were incorporated and registered with the Philippine Securities and Exchange Commission (SEC). The direct and ultimate parent company of TA Oil is Philippine Investment-Management (PHINMA), Inc., also incorporated in the Philippines. TA Oil is managed by PHINMA, Inc. under an existing management agreement (see Note 28).

The Parent Company is engaged in power generation and trading, oil and mineral exploration, development and production. The Parent Company has an Electricity Supply Agreement (ESA) with Guimaras Electric Cooperative, Inc. (Guimelco), the lone electricity distributor in the province of Guimaras using its 3.4 megawatt (MW) bunker C-fired diesel generator power station in the island. The Parent Company is also registered as a Wholesale Aggregator and is a licensed Retail Electricity Supplier (RES). The license authorizes the Parent Company to consolidate electricity power demand of distribution utilities, pursuant to the Electric Power Industry Reform Act of 2001 (EPIRA). As a RES, the Parent Company is allowed to supply electricity to the contestable market, pursuant to EPIRA. The other activities of the Parent Company are investments in various operating companies and in financial instruments.

On January 25, 2016, the Board of Directors of the Parent Company approved the amendment of its Articles of Incorporation to change the Parent Company's name to PHINMA Energy Corporation and to extend its corporate life for another 50 years from and after September 8, 2019, subject to approval by the stockholders and SEC.

TA Power was incorporated and registered with the SEC on March 18, 1996. TA Power is engaged in power generation. Previously, the Parent Company had a 50% interest in TA Power, a joint venture with Holcim Philippines, Inc. On January 1, 2013, the Parent Company entered into a Share Purchase Agreement with Holcim Philippines, Inc. (Holcim) for the purchase of Holcim's 50% stake in TA Power (see Note 5). In October 2006, the Philippine Electricity Market Corporation (PEMC) approved TA Power's application for registration as trading participant for both generation and customer categories in the Wholesale Electricity Spot Market (WESM). Both the Parent Company and TA Power obtained membership in the WESM which allows them to participate in electricity trading managed by PEMC, including selling of excess generation to the WESM. Effective December 26, 2013, TA Power entered into a Power Administration and Management Agreement (PAMA) valid for ten years with TA Oil for the administration and management by TA Oil of the entire capacity and net output of TA Power starting 2014. In addition to the fixed capacity, TA Oil is billed by TA Power for transmission and fuel cost.

CIPP was incorporated and registered with the SEC on June 2, 1998. CIPP is a utilities enterprise, the primary purpose of which is to develop and operate a power supply and distribution system at Carmelray Industrial Park II (CIP II) Special Economic Zone in Calamba, Laguna. In April 2009, CIPP sold its distribution assets to Manila Electric Company (MERALCO) resulting in the cessation of CIPP's operations. Substantially all of its employees were separated effective January 31, 2010. On February 22, 2010 and March 24, 2010, the Board of Directors (BOD) and stockholders, respectively, of the Parent Company approved the proposed merger of the Parent Company and CIPP subject to the approval by the SEC. In December 2010, CIPP's BOD approved the transfer of its 21MW bunker C-fired power plant from Laguna to Barangay Quirino, Bacnotan, La Union which was completed in 2012. In 2013, CIPP and TA Oil entered into a PAMA valid for ten years for the latter's administration and management of the entire capacity and net output of CIPP. As at April 25, 2016, the Parent Company and CIPP have not filed their application for merger with the SEC and have deferred their plan for merger.

TAREC was incorporated and registered with the SEC on September 2, 1994. It was established with the primary purpose of developing and utilizing renewable energy and pursuing clean and energy-efficient projects. On May 20, 2013, the Philippine Department of Energy (DOE) has confirmed the Declaration of Commerciality of TAREC's 54 MW Wind Power project in San Lorenzo, Guimaras under Wind Energy Service Contract (WESC) No. 2009-10-009. During 2013, the DOE confirmation affirmed the conversion of said WESC from Pre-development to Development/ Commercial Stage. On October 7, 2014, the 54 MW Wind Power project started delivering power to the grid from the commissioning operations of the first three (3) units of wind turbine generators. On February 16, 2015, the Company received from the DOE the confirmation of start of Commercial Operations of its 54 MW San Lorenzo Wind Project declared on December 27, 2014. On June 10, 2015, the Company received its Certificate of Endorsement for Feed-In Tariff (FIT) from the DOE certifying that its 54 MW San Lorenzo Wind Project has fully qualified under the FIT System.

TA Petroleum was incorporated and registered with the SEC on September 28, 1994. TA Petroleum is engaged in oil exploration and well development. On November 28, 2012, the SEC approved the increase in authorized capital stock of TA Petroleum from ₱40 million divided into 4 billion shares with a par value of ₱0.01 per share to ₱1 billion divided into 100 billion shares with a par value of ₱0.01 per share. It also approved the change in its name and primary purpose of TA Petroleum from power generation to oil and gas exploration and production. TA Petroleum was registered with the Philippine Stock Exchange on August 28, 2014. As at April 25, 2016, TA Petroleum has not started commercial operations.

TA Gold was incorporated and registered with the SEC on July 2, 2007 to primarily engage in the business of mining and mineral exploration within the Philippines and other countries. On February 16, 2009, the BOD approved the suspension of exploration activities of TA Gold effective March 31, 2009. As at April 25, 2016, TA Gold's exploration activities remain suspended.

Palawan55 was incorporated and registered with the SEC on November 16, 2012. Palawan55 is engaged in the development and utilization of crude oil, natural gas, natural gas liquids and other form of petroleum. As at April 25, 2016, Palawan55 has not started commercial operations.

TAWPC was incorporated and registered with the SEC on July 26, 2013. Its primary purpose is to construct, develop, own, operate, manage, repair and maintain wind power generation plants, to generate electricity from such power plants and to market and sell the electricity produced thereby.

On August 22, 2013, TAREC assigned its 100% equity interest in TAWPC to the Parent Company. As a result of the assignment, TAWPC became a wholly owned subsidiary of the Parent Company. As at April 25, 2016, TAWPC has not started commercial operations.

On June 29, 2011, the Parent Company entered into a 50-50 joint venture agreement with AC Energy Holdings, Inc. (AC Energy) to form South Luzon Thermal Energy Corporation (SLTEC), the primary purpose of which is to generate, supply and sell electricity to the public through the operation of a 135 MW coal fired power plant in Calaca, Batangas. SLTEC was incorporated on July 29, 2011. The construction, testing and commissioning of the first unit of SLTEC Circulating Fluidized Bed Coal-fired Power Plant was completed during the first half of 2015 and started its commercial operations on April 24, 2015. The second unit started its commercial operation on February 21, 2016. As at April 25, 2016, the 2 x 135MW coal fired units are fully operational.

The Parent Company has 50% interest in ACTA Power Corporation (ACTA), a joint venture with AC Energy. ACTA is engaged in the business of owning, developing, constructing, operating and maintaining power generation facilities as well as generation and sale of electricity. ACTA was incorporated on February 9, 2012 and it has not started commercial operations as at April 25, 2016.

One Subic was incorporated and registered with the SEC on August 4, 2010 to engage in the business of owning, constructing, operating, developing and maintaining all types of power generation plants. It started its operations on February 17, 2011. On May 12, 2014, TA Power purchased from Udenna Energy Corporation (UDEC) the entire outstanding shares of stock of One Subic. Prior to the acquisition, One Subic used to be a wholly owned subsidiary of UDEC, a company incorporated and domiciled in the Philippines.

The registered office address of the Parent Company is Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

The consolidated financial statements of the Company were authorized for issuance by the Company's Board of Directors Audit Committee on April 25, 2016.

2. Basis of Preparation and Consolidation

Basis of Preparation

The consolidated financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The consolidated financial statements have been prepared on a historical cost basis, except for investments held for trading, derivative financial instruments, and available-for-sale (AFS) investments that have been measured at fair value. The consolidated financial statements are presented in Philippine peso which is the Parent Company's functional and presentation currency. All values are rounded off to the nearest thousands (000), except par values, per share amounts, number of shares and when otherwise indicated.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at March 31, 2016 and December 31, 2015. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and

- the ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Parent Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity while any resultant gain or loss is recognized in the consolidated statement of income. Any investment retained is recognized at fair value.

Non-controlling interests represent the interests in the subsidiaries not held by the Parent Company, and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from equity attributable to holders of the Parent Company. Non-controlling interests share in losses even if the losses exceed the non-controlling equity interest in the subsidiary.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

		Percentage of Ownership (%)			
		March 2016		December 2015	
	Principal Activities	**Direct**	**Indirect**	Direct	Indirect
TA Power	Power generation	**100.00**	**–**	100.00	–
CIPP	Power generation	**100.00**	**–**	100.00	–
TAREC	Renewable energy generation	**100.00**	**–**	100.00	–
TA Gold	Mineral exploration	**100.00**	**–**	100.00	–
TAWPC	Renewable energy generation	**100.00**	**–**	100.00	–
One Subic	Power generation	**–**	**100.00**	–	100.00
TA Petroleum	Oil and gas exploration	**50.74**	**0.40**	50.74	0.40
Palawan55	Oil and gas exploration	**30.65**	**35.46**	30.65	35.46

3. Summary of Significant Accounting Policies and Disclosures

Change in the Presentation of Revenues and Costs from Sale of Electricity
The Company presented revenues from sale of power purchased as a gross amount and recorded the same as part of revenue from sale of electricity. Costs of the power purchased are then presented and included as part of costs of sale of electricity which is a separate line item in the cost and expense section in the consolidated statement of income. Prior to 2015, revenues from sale of power purchased were reported net of the related cost and presented as “Trading revenue - net” in the consolidated statement of income. This change was made to reflect more clearly the arrangements under its various sales agreements whereby the Company purchases electricity for its own account.

The Company accounted for the change retroactively and accordingly restated the comparative consolidated statements of income. The change is to presentation only, and it has no impact on the Company’s consolidated net income, earnings per share, cash flows or statement of financial position.

Likewise, revenues arising from sale of electricity generated by the power plants were also included under revenue from sale of electricity and the related power generation cost were also included under costs of sale of electricity. Previously, these were presented under generation revenues and cost of power generation. The change is only to the account title for revenue and cost accounts and does not affect the amounts recorded in the books.

Changes in Accounting Policies and Disclosures
The accounting policies adopted were consistent with those of the previous financial year, except for the adoption of the following amendments and improvements to the Philippine Accounting Standards (PAS) which became effective for annual periods beginning on or after January 1, 2015. The adoption of these amendments and improvements did not have significant impact on the Company’s financial statements.

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contribution*
- Annual Improvements to PFRS (2010-2012 Cycle)

  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments’ Assets to the Entity’s Assets*
  - PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation,* and PAS 38*, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  - PFRS 24, *Related Party Disclosures - Key Management Personnel*

- Annual Improvements to PFRS (2011-2013 cycle)

  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangement*
  - PFRS 13, *Fair Value Measurement - Portfolio Exception*
  - PAS 40, *Investment Property*

Future Changes in Accounting Policies
The Company will adopt the following standards and interpretations enumerated below when these become effective.

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment, and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements as the Company has not used a revenue-based method to depreciate its noncurrent assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments are not applicable to the Company as it does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures, and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Company's consolidated financial statements.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting.
  The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify that the

amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The standard is not applicable to the Company since it is an existing PFRS preparer.

- PFRS 10, PFRS 12 and PAS 28 - *Investment Entities: Applying the Consolidation Exception* (Amendments)

  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity (IE) that measures all of its subsidiaries at fair value and that only a subsidiary of an IE that is not an IE itself and that provides support services to the IE parent is consolidated. The amendments also allow an investor (that is not an IE and has an IE associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the IE associate or joint venture to its interests in subsidiaries. These amendments are effective from annual periods beginning on or after January 1, 2016. These amendments will not have any impact on the Company's consolidated financial statements since none of the entities within the Company is an IE nor does the Company have IE associates or joint venture.

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendments)

  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. The amendments clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions;
  - That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated;
  - That entities have flexibility as to the order in which they present the notes to financial statements;
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

- Annual Improvements to PFRS (2012-2014 cycle)

  These improvements to the following standards and interpretations are effective for annual periods beginning on or before January 1, 2016 and are not expected to have a material impact on the Company's consolidated financial statements.

  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

    The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*

    PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

  - PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

    This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

  - PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*

    This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments*

  In July 2014, the International Accounting Standards Board (IASB) issued the final version of PFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Company did not early adopt PFRS 9.

  The adoption of PFRS 9 is not expected to have any significant impact on the Company's consolidated financial statements.

No definite adoption date prescribed by the SEC and Financial Reporting Standards Council (FRSC)

- Philippine Interpretation of International Financial Reporting Interpretations Committee (IFRIC) Interpretation 15, *Agreements for the Construction of Real Estate*

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and rewards of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The interpretation will not be applicable to the Company.

In addition, the IASB has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Company is currently assessing the impact of these new standards and plans to adopt them in their required effective dates once adopted locally.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*

  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted.

- IFRS 16, *Leases*

  On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statement of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their statement of income. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Company elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognized in the consolidated statement of income. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for NCI) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Business Combination Involving Entities Under Common Control
Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are combined and reflected at their carrying amounts reported in the Company's consolidated statement of financial position. The consolidated statement of income, comprehensive income and cash flows reflect the result of the combining entities in full, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date entities had been under common control.

The assignment of shares of stocks of TAWPC by TAREC to the Parent Company in 2013 is considered as a reorganization and was accounted for at historical cost in a manner similar to pooling of interests method (see Note 1). Under the pooling of interests method of accounting, the results of operations and cash flows of the Parent Company and its subsidiaries are combined from the beginning of the financial period in which the acquisition occurred and their assets and liabilities are combined at the amounts at which they were previously recorded at the Company's consolidated financial statements as if they had been part of the group for the whole of the current and preceding periods.

Current versus Noncurrent Classification

The Company presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash in banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Short-term Investments

Short-term investments represent investments that are readily convertible to known amounts of cash with original maturities of more than three months to one year.

Fair Value Measurement

The Company measures financial instruments at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Disclosures for significant estimates and assumptions, see Note 4
- Quantitative disclosures of fair value measurement hierarchy, see Note 32
- Investment properties, see Note 14
- Financial instruments (including those carried at amortized cost), see Note 32

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

“Day 1” Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference amount.

Financial Instruments - Initial Recognition and Subsequent Measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets
Initial Recognition and Measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, AFS financial assets,

or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVPL, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at FVPL
- Loans and receivables
- HTM investments
- AFS financial assets

a. *Financial assets at FVPL*

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39.

Net changes in fair value relating to the held-for-trading positions are recognized in the consolidated statement of income as gain or loss on changes in fair value of investment held for trading under “Interest and other financial income” included in “Other income (loss) - net” account. Interest and other financial income or charges are recorded when earned or incurred, respectively, while dividend income is recorded when the right to receive payment has been established.

The Company has no financial asset designated at FVPL on initial recognition.

The Company’s investments in unit investment trust funds (UITFs) are classified as financial assets held for trading (see Notes 7 and 32).

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVPL. These embedded derivatives are measured at fair value with changes in fair value recognized in consolidated statement of income. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

The Company enters into short-term forward currency contracts to hedge its currency exposure. Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Company has opted not to designate its derivative transactions under hedge accounting. Consequently, gains and losses from changes in fair value of these derivatives are recognized immediately in the consolidated statement of income.

The fair values of freestanding forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The Company's derivative asset, included under "Other current assets" in the consolidated statement of financial position, is classified as financial asset at FVPL (see Notes 10 and 32).

b. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization and loss arising from impairment are included in "Other income (loss) - net" in the consolidated statement of income.

The Company's cash and cash equivalents, short-term investments, receivables and refundable deposits are classified as loans and receivables (see Notes 6, 7, 8, 16 and 32).

c. *HTM investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization and loss arising from impairment are included in "Other income (loss) - net" in the consolidated statement of income.

The Company did not classify any financial asset under HTM investments.

d. *AFS financial assets*

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated statement of income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statement of income. Interest earned while holding AFS financial assets is reported as interest income using the EIR method.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to the consolidated statement of income over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

The Company's investments in listed and unlisted equity securities and golf club shares are classified as noncurrent AFS investments (see Notes 13 and 32).

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of Financial Assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions, see Note 3
- Trade receivables, see Note 8
- AFS investments, see Note 13
- Financial assets, see Note 32

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost
For financial assets carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated statement of income. Interest income, recorded under "Other income (loss) - net" account in the consolidated statement of income, continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "Other income (loss) - net" account in the consolidated statement of income.

Assets Carried at Cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Financial Assets
For AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income, is removed from OCI and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Other income (loss) - net" account in the consolidated statement of income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

<u>Financial Liabilities</u>

Initial Recognition and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts payable and other current liabilities (excluding statutory payables), due to stockholders, short-term and long-term loans and other noncurrent liabilities including derivative liabilities.

Subsequent Measurement
The measurement of financial liabilities depends on their classification, as described below:

a. Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PAS 39 are satisfied. The Company has not designated any financial liability as at FVPL.

The Company's derivative liabilities, included under "Accounts payable and other current liabilities" in the consolidated statement of financial position, are classified as financial liabilities at FVPL (see Notes 17 and 32).

b. *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in "Other income (loss) - net" account in the consolidated statement of income.

The Company's accounts payable and other current liabilities (excluding derivative liabilities and statutory payables), due to stockholders, short-term and long-term loans and other noncurrent liabilities are classified as loans and borrowings (see Notes 17, 19, 28 and 32).

Debt issue Costs
Debt issue costs are deducted against long-term debt and are amortized over the terms of the related borrowings using the effective interest method.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

There is no offsetting of financial assets and financial liabilities and any similar arrangements that are required to be disclosed in the consolidated financial statements as at March 31, 2016 and December 31, 2015.

Fuel and Spare Parts
Fuel and spare parts are stated at the lower of cost or net realizable value (NRV). Cost is determined using the first-in, first-out method. NRV is the current replacement cost of fuel and spare parts.

Property, Plant and Equipment
Property, plant and equipment, except land, is stated at cost, net of accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company

depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings and improvements	20–25 years
Machinery and equipment	9–25 years
Wells, platforms and other facilities	10 years
Transportation equipment	3–5 years
Mining and other equipment	10 years
Office furniture, equipment and others	3–10 years

The useful lives and depreciation method are reviewed periodically to ensure that the periods and methods of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated property, plant and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognized.

The residual values and useful lives of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Construction in progress is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

<u>Leases</u>
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A reassessment is made after the inception of the lease, if any, if the following applies:

a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or

d) there is substantial change to the asset.

Where the reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

The Company determines whether arrangements contain a lease to which lease accounting must be applied. The costs of the agreements that do not take the legal form of a lease but convey the right to use an asset are separated into lease payments if the entity has the control of the use or access to the asset, or takes essentially all of the outputs of the asset. The said lease component for these arrangements is then accounted for as finance or operating lease.

Company as a Lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as “Other income (loss) - net” in the consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as “Rent expense” included under “Costs of sale of electricity” or “General and administrative expenses” in the consolidated statement of income on a straight-line basis over the lease term.

Company as a Lessor
Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

<u>Borrowing Costs</u>
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

<u>Foreign Currency Denominated Transactions and Balances</u>
Transactions in foreign currencies are initially recorded by the Company’s entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or in the consolidated statement of income are also recognized in OCI or in the consolidated statement of income, respectively).

Interest in Joint Arrangements

PFRS defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

Joint Operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities and share in the revenues and expenses relating to the arrangement.

The Company's service contracts (SC), composing of oil and gas and geothermal SCs, are all under exploration stage, thus, the Company recognizes its share of the related exploration expenses as it is billed through cash calls.

Investments in Associates and Joint Ventures

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Company's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated statement of income reflects the Company's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Company recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Company's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate or joint venture.

If the Company's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Company discontinues recognizing its share of further losses.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as "Equity in net losses of associates and joint ventures" in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

Investment Properties

Investment properties are carried at cost, including transaction costs, net of accumulated depreciation. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Depreciation is calculated on a straight-line basis over the estimated useful life of 20 years.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Leasehold Rights

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of income in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

The useful lives of leasehold rights are assessed as finite. Leasehold rights are amortized on a straight-line basis based on the term in the facility lease agreement. The amortization expense on leasehold rights are recognized as “Depreciation and amortization” under “Costs of sale of electricity” in the consolidated statement of income.

Deferred Exploration Costs

The Company follows the full cost method of accounting for exploration costs determined on the basis of each SC area. Under this method, all exploration costs relating to each SC are tentatively deferred pending the determination of whether the contract area contains oil and gas reserves in commercial quantities, net of any allowance for impairment losses.

Expenditures for mineral exploration and development work on mining properties are also deferred as incurred, net of any allowance for impairment losses. These expenditures are provided with an allowance when there are indications that the exploration results are negative. These are written off against the allowance when the projects are abandoned or determined to be definitely unproductive. When the exploration work results are positive, the net exploration costs and subsequent development costs are capitalized and amortized from the start of commercial operations.

Impairment of Non-financial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statement of income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Property, Plant and Equipment and Investment Properties
For property, plant and equipment and investment properties, the Company assesses for impairment on the basis of impairment indicators such as evidence of internal obsolescence or physical damage.

Investments in Associates and Joint Ventures
The Company determines at the end of each reporting period whether there is any objective evidence that the investments in associates and interests in joint ventures are impaired. If this is the case, the amount of impairment is calculated as the difference between the recoverable amount of the investments in associates and joint ventures, and its carrying amount.

Goodwill
Goodwill is tested for impairment annually and more frequently when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Leasehold Rights
Intangible assets with finite useful lives are tested for impairment when circumstances indicate that the carrying value may be impaired.

Deferred Exploration Costs
Deferred exploration costs are assessed for impairment when:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; or
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, impairment loss is measured, presented and disclosed in accordance with PAS 36. The amount of impairment loss is recognized in the consolidated statement of income.

<u>Provisions</u>

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as "Other income (loss) - net" account in the consolidated statements of income.

<u>Asset Retirement Obligation</u>

The Company is legally required under a lease agreement to dismantle certain machinery and equipment and restore the leased site at the end of the lease contract term. The Company recognizes the fair value of the liability for this obligation and capitalizes the present value of these costs as part of the balance of the related property, plant and equipment accounts, which are being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term. The liability is subsequently carried at amortized cost using the EIR method with the related interest expense recognized in the consolidated statement of income.

<u>Pensions and Other Post-employment Benefits</u>

Defined Benefit Plan

The Company operates separate and distinct retirement plans for TA Oil, TA Power and CIPP, which requires contributions to be made to a separately administered fund. Other entities are covered by Republic Act 7641, otherwise known as "The Philippine Retirement Law", which provides for qualified employees to receive a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of R.A. 7641. The cost of providing benefits is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods.

Past service costs are recognized in the consolidated statement of income on the earlier of:

- The date of the plan amendment or curtailment; or
- The date that the Company recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under "Costs of sale of electricity" and "General and administration expenses" in the consolidated statement of income:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

Employee Leave Entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

<u>Capital Stock</u>
Capital stock represents the portion of the paid-in capital representing the total par value of the shares issued.

<u>Stock Options</u>
Stock option grants are accounted for in accordance with PFRS 2, that is, the cost of stock option awards are measured by reference to the fair value at the date on which they are granted. The fair value is determined using the binomial method. The cost of such awards is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The cumulative expense that is recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of the period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of the award are modified, the minimum expense recognized is the expense if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where the stock option is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the preceding paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the

computation of diluted earnings per share (EPS).

Additional Paid-in Capital (APIC)
APIC represents the amount paid in excess of the par value of the shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Treasury Shares
Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in APIC. Share options exercised during the reporting period are satisfied with treasury shares.

Other Equity Reserve
Other equity reserves are made up of equity transactions other than capital contributions such as share in equity transactions of associates and joint ventures and share-based payment transactions.

Retained Earnings
Retained earnings include all current and prior period results of operations as reported in the consolidated statement of income, net of any dividend declaration.

Cash Dividend and Non-cash Dividend to Equity Holders of the Parent Company
The Company recognizes a liability to make cash or non-cash distributions to equity holders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Company. A corresponding amount is recognized directly in equity.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognized.

Sale of Electricity
Sale of electricity is consummated whenever the electricity generated by the Company is transmitted through the transmission line designated by the buyer, for a consideration. Revenue from sale of electricity is based on sales price. Sale of electricity using bunker fuel plants is composed of generation fees from spot sales to the WESM and ESAs with third parties and is recognized monthly based on the actual energy delivered.

Starting on December 27, 2014, sales of electricity using wind is based on the FIT rate under FIT System to the WESM and is recognized monthly based on the actual energy delivered. Prior to this date, this was based on the spot rate.

Meanwhile, revenue from sale of electricity through ancillary services to the National Grid Corporation of the Philippines (NGCP) is recognized monthly based on the capacity scheduled and/or dispatched and provided. Revenue from sale of electricity through Retail Supply Contract (RSC) is composed of generation charge from monthly energy supply with various contestable customers and is recognized monthly based on the actual energy delivered. The basic energy charges for each billing period are inclusive of generation charge and retail supply charge.

Equity in Net Earnings (Losses) of Associates and Joint Ventures
The Company recognizes its share in the net income or loss of associates and joint ventures proportionate to the equity in the economic shares of such associates, in accordance with the equity method.

Dividend
Dividend income is recognized when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Interest
Income is recognized as the interest accrues, taking into account the effective yield on the asset.

Rental Income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature.

Other Income
Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Company through an increase in asset or reduction in liability that can be measured reliably.

<u>Costs and Expenses</u>
Costs and expenses are recognized when incurred.

<u>Taxes</u>

Current Income Tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

Deferred Income Tax
Deferred income tax is provided using the balance sheet liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets are recognized for all deductible temporary differences, including carryforward benefits of unused net operating loss carryover (NOLCO) and excess MCIT over RCIT which can be deducted against future RCIT due to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from unused NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in the consolidated statement of income.

Creditable Withholding Taxes
Creditable withholding taxes represent amounts withheld by the Company's customers and is deducted from the Company's income tax payable.

Value-added Tax (VAT)
Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of VAT included

The amount of VAT recoverable from the taxation authority is recognized as "Input VAT" under "Other current assets", while VAT payable to taxation authority is recognized as "Output VAT" under "Accounts payable and other current liabilities" in the consolidated statement of financial position.

Earnings Per Share (EPS)
Basic EPS is computed based on weighted average number of issued and outstanding common shares during each year after giving retroactive effect to stock dividends declared during the year. Diluted EPS is computed as if the stock options were exercised as at the beginning of the year and as if the funds obtained from exercise were used to purchase common shares at the average market price during the year. Outstanding stock options will have a dilutive effect under the treasury stock method only when the fair value of the underlying common shares during the period exceeds the exercise price of the option. Where the outstanding stock options have no dilutive effect and the Company does not have any potential common share nor other instruments that may entitle the holder to common shares, diluted EPS is the same as basic EPS.

Segment Reporting
The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 33 to the consolidated financial statements.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period
Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The Company's consolidated financial statements prepared in conformity with PFRS require management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements. In preparing the Company's consolidated financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

The Company believes the following represents a summary of these significant judgments and estimates and related impact and associated risks in its consolidated financial statements.

<u>Judgments</u>

Determination of Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the sale and cost of producing electricity.

Determination of Whether an Arrangement Contains a Lease and Classification of Leases
Under TA Oil's ESA with Guimelco and with Holcim, TA Oil sells all of its output to Guimelco and sells all or substantially all of its output to Holcim (see Note 31). The Company has evaluated the arrangements and the terms of the ESA and determined that the agreements do not qualify as leases. Accordingly, fees billed to Guimelco and Holcim are recognized as revenue from sale of electricity.

Under TA Oil's Power Purchase Agreement (PPA) with SLTEC and MGI, TA Oil agreed to purchase all of SLTEC and MGI's output (see Note 31). The Company has evaluated the arrangements and the terms of the PPA and determined that the agreement does not qualify as lease. Accordingly, fees paid to SLTEC and MGI are recognized as costs of sale of electricity.

The Company also entered into various easements and right of way agreements with various land owners to support the erection of transmission lines to be used to connect its 54 MW Wind Farm Project in Guimaras. These agreements contain a lease as the arrangements convey the right to use the item and TAREC has control over the utility of the asset.

Classification of Leases - the Company as Lessee
The Company exercises judgment in determining whether substantially all the significant risks and rewards of ownership of the leased assets are transferred to the Company. Lease contracts, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased items are classified as finance leases. Otherwise, they are considered as operating leases.

The Company has entered into a lease contract with Guimelco for a parcel of land used only as a site for electric generating plant and facilities, where it has determined that the risks and rewards related to the properties are retained with the lessor (e.g., no bargain purchase option and transfer of ownership at the end of the lease term). The lease is, therefore, accounted for as operating lease (see Note 31).

One Subic has a lease contract with Subic Bay Metropolitan Authority (SBMA) for a parcel of land and electric generating plant and facilities where it has determined that the risks and rewards related to the properties are retained with the lessor (e.g., no bargain purchase option and transfer of ownership at the end of the lease term). The lease is, therefore, accounted for as operating lease (see Note 31).

The Company has entered into various lease agreements with individual land owners where the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset, among others, which indicates that it does not transfer substantially all the risks and rewards from the various land owners to the Company incidental to the ownership of the parcels of land. These leases are classified as operating leases.

The Company has entered into various lease agreements with individual land owners where the present value of the minimum lease payments amount to at least substantially all of the fair value of the leased asset, which indicates that the risks and rewards related to the asset are transferred to the Company. These leases are classified as finance leases.

Classification of Leases - the Company as Lessor
The Company has various lease agreements for the lease of its investment property. The Company has determined that the risks and rewards of ownership of the underlying properties are retained by the Company. Accordingly, the leases are classified as operating leases.

Determining and Classifying a Joint Arrangement
Judgment is required to determine when the Company has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Company has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement. Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Company to assess their rights and obligations arising from the arrangement. Specifically, the Company considers:

- The structure of the joint arrangement - whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Company also considers the rights and obligations arising from:

    a. the legal form of the separate vehicle;
    b. the terms of the contractual arrangement; and
    c. other facts and circumstances (when relevant).

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting. As at March 31, 2016 and December 31, 2015, the Company’s SCs are joint arrangements in the form of a joint operation.

Classification of Joint Venture
The Company holds 50% of the voting rights of its joint arrangements, namely, SLTEC and ACTA. The Company has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

The Company's joint arrangements are structured through a separate vehicle and provide the Company and the parties to the agreements with rights to the net assets of the separate vehicle under the arrangements.

Accordingly, the Company classified its interests in SLTEC and ACTA as joint ventures.

Material Partly-Owned Subsidiaries
The consolidated financial statements include additional information about subsidiaries that have NCI that are material to the Company (see Note 30). Management determined material partly-owned subsidiaries as those with balance of NCI greater than 5% of NCI and those subsidiaries which type of activities they engage in is important to the group as at end of the period.

Material Associates and Joint Ventures
The consolidated financial statements include additional information about associates and joint ventures that are material to the Company (see Note 12). Management determined material associates as those associates where the Company's carrying amount of investment is greater than 5% of the total investments in associates and joint ventures as at end of the period.

Estimates

Fair Value of Financial Assets and Financial Liabilities
The fair value for financial instruments in share of stocks traded in an active market at the end of the reporting period is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment and estimation is required in establishing fair values. Any change in value of these financial assets and financial liabilities (including derivatives) would affect the consolidated statement of comprehensive income and consolidated statement of changes in equity. The fair value of the Company's financial assets and liabilities are discussed in Note 32.

Estimated Allowance for Doubtful Accounts
The Company maintains allowance for doubtful accounts based on the results of the individual and collective assessment under PAS 39. Under the individual assessment, the Company considers the significant financial difficulties of the customer or significant delays in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on age and status of financial asset, as well as historical loss experience. Allowance for doubtful accounts is recorded when management believes that the receivable balance cannot be provided or realized after exhausting all efforts and courses of action. The collective assessment would require the Company to group its receivables based on the credit risk characteristics (customer type, past-due status and terms) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the period. As at March 31, 2016 and December 31, 2015, allowance for doubtful accounts amounted to ₱63.13

million. The carrying value of trade and other receivables amounted to ₱3,844.36 million and ₱ 3,466.31 million as at March 31, 2016 and December 31, 2015, respectively (see Note 8).

Impairment of AFS investments
The Company treats AFS investments in shares of stock as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment. The Company treats “significant” generally as 20% or more of the original cost of investment, and “prolonged”, greater than 12 months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

The Company also determines whether its AFS investments in debt instruments are impaired if there is a loss event which has an impact on the future cash flows that can be reliably estimated. Examples of these loss events are significant financial difficulty of the issuer, observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets and adverse changes in the payment status of borrowers, among others.

Based on the foregoing criteria, the Company has assessed that its AFS investments in equity instruments are impaired as a result of significant decline in the fair value of its investments in certain quoted shares.

The carrying value of AFS investments amounted to ₱297.03 million and ₱295.77 million as at March 31, 2016 and December 31, 2015, respectively (see Note 13).

Realizability of Deferred Income Tax Assets
The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that sufficient taxable income will be generated to allow all or part of the deferred tax assets to be utilized.

As at March 31, 2016 and December 31, 2015, deferred income tax assets recognized by the Company amounted to ₱41.02 million and ₱40.09 million, respectively (see Note 27). The Company’s deductible temporary differences, unused NOLCO and unused MCIT for which no deferred income tax assets were recognized are disclosed in Note 27.

Estimated Useful Lives of Property, Plant and Equipment, Investment Properties and Leasehold Rights
The Company estimates the useful lives of property, plant and equipment, investment properties and leasehold rights based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, investment properties and leasehold rights are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment and investment properties are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There was no change in the useful life.

The total depreciation and amortization of property, plant and equipment, investment properties and leasehold rights amounted to ₱108.11 million and ₱95.98 million for the quarters ended March 31, 2016 and 2015, respectively (see Notes 11, 14, 15 and 25).

Impairment of Non-financial Assets, Other than Goodwill and Deferred Exploration Costs
The Company assesses whether there are any indicators of impairment for all non-financial assets, other than goodwill and deferred exploration costs, at each reporting date. These non-financial assets (investments in associates and interests in joint ventures, property, plant and equipment, investment properties and leasehold rights) are tested for impairment whenever events or changes in circumstances indicate that carrying amount of the asset may not be recoverable. This requires an estimation of the value in use of the CGUs. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. In cases where the value in use cannot be reliably measured, the recoverable amount is based on fair value less costs to sell.

The carrying amounts of the Company's non-financial assets are as follows:

	March 2016	December 2015
Property, plant and equipment (see Note 11)	**₱7,312,512**	₱7,381,816
Investments and advances (see Note 12)	**4,291,216**	4,171,641
Investment properties (see Note 14)	**25,852**	26,341
Leasehold rights (see Note 15)	**69,481**	73,529

No impairment loss was deemed necessary on these non-financial assets for the first quarter of 2016 and 2015.

Accumulated impairment losses on investments amounted to ₱1.56 million as at March 31, 2016 and December 31, 2015.

Impairment of Deferred Exploration Costs
The carrying value of deferred exploration costs is reviewed for impairment by management when there are indications that the carrying amount exceeds the recoverable amount. Among the factors considered by management in the write-off of deferred exploration costs are the expiration of the contracts and the technical evaluation that the remaining prospects in these areas are small and are likely to be uneconomic. No impairment loss was deemed necessary for the first quarter of 2016 and 2015. The carrying value of deferred exploration costs amounted to ₱128.54 million and ₱126.91 million as at March 31, 2016 and December 31, 2015, respectively (see Note 15).

Impairment of Goodwill
The Company's goodwill was tested for impairment where the recoverable amount was determined using the value in use approach. Value in use was based on the cash flow projections on the most recent financial budgets/forecasts approved by the BOD, which management believes are reasonable. In 2015, the discount rate applied was 9.30%, which was based on the weighted average cost of capital adjusted for the difference in currency and specific risks.

The carrying amount of goodwill amounted to ₱234.15 million as at March 31, 2016 and December 31, 2015 (see Note 15). No impairment loss was recognized on goodwill for the quarters ended March 31, 2016 and 2015.

Purchase Price Allocation - Estimating the Fair Values of Acquiree's Identifiable Assets and Liabilities and Pre-existing Relationship and Previously Held Interest; Goodwill and Gain on Bargain Purchase
Where the fair values of the acquiree's identifiable assets and liabilities cannot be derived from active markets, the Company determined the fair values using internal valuation techniques and generally accepted valuation approaches. The inputs to these valuation approaches are taken from historical experience and observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The estimates may include discount rates and assumptions used in cash flow projections.

The fair values of the identifiable net assets acquired from TA Power in 2013 amounted to ₱974.06 million, while that of One Subic in 2014 amounted to ₱263.72 million (see Note 5).

The Company accounts for the acquired businesses using the acquisition method which require extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill in the consolidated statement of financial position or gain on bargain purchase in the consolidated statement of income. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Company's financial position and performance.

The acquisition of One Subic in 2014 has resulted in recognition of goodwill. The carrying value of goodwill as at December 31, 2014 amounted to ₱234.15 million (see Note 15). Also, prior to TA Power's acquisition of One Subic, TA Oil has an existing PAMA with One Subic which is considered as a pre-existing relationship in a business combination.

The Company's acquisition of the 50% of TA Power in 2013 also requires remeasurement of previously held interest in TA Power and has resulted into a gain on remeasurement and gain on bargain purchase. The gain on remeasurement of previously held interest and gain on bargain purchase pertaining to the acquisition of 50% interest in TA Power amounting to ₱168.59 million and ₱25.93 million, respectively, were presented under "Other income (loss) - net" account in the 2013 consolidated statement of income (see Notes 5).

Pension and Other Employee Benefits
The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Pension and other employee benefits liability amounted to ₱36.93 million and ₱33.81 million as at March 31, 2016 and December 31, 2015, respectively.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Share-based Payments
The Company measures the cost of its equity-settled transactions with management and employees by reference to the fair value of the equity instruments at the grant date. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about these inputs. The fair value of the share option is being determined using the binomial method. The expected life of the stock options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of the Parent Company.

As at March 31, 2016 and December 31, 2015, other equity reserve from stock option plan amounted to ₱14.66 million (see Note 19). Total expense arising from share-based payments recognized by the Company amounted to ₱1.86 million for the year ended December 31, 2015.

Contingencies and Tax Assessments
The Company is currently involved in various legal proceedings and tax assessments. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the Company's consolidated financial statements.

5. Business Combinations

One Subic

On May 12, 2014, TA Power purchased from UDEC the entire outstanding shares of stock of One Subic. The purchase price consideration has been allocated to the identifiable assets and liabilities on the basis of their fair values as follows at date of acquisition:

	Carrying Values	Fair Values Recognized
Current assets:		
Cash	₱23,504	₱23,504
Receivables	132,955	131,827
Fuel and spare parts	4,381	4,381
Other current assets	3,383	3,383
Total current assets	164,223	163,095
Noncurrent assets:		
Property, plant and equipment	109,928	104,505
Other noncurrent assets	8,282	5,972
Deferred income tax assets	1,346	–
Leasehold rights (see Note 15)	–	99,839
Total noncurrent assets	119,556	210,316
Current liabilities:		
Accounts payable	68,569	68,569
Income and withholding taxes payable	6,897	6,897
Total current liabilities	75,466	75,466
Noncurrent liabilities:		
Mortgage payable	1,872	1,872
Pension liability	5,617	4,827
Deferred income tax liability	–	27,530
Total noncurrent liabilities	7,489	34,229
Identifiable net assets acquired	₱200,824	₱263,716

Identifiable net assets acquired	₱263,716
Goodwill from the acquisition (see Note 15)	234,152
Purchase consideration transferred	₱497,868

Cash paid	₱489,144
Cash consideration allocated to pre-existing relationship	8,724
Purchase consideration transferred	₱497,868

Cash flows from an investing activity:	
Net cash acquired from subsidiary	₱23,504
Cash payment	(489,144)
Net cash outflow	(₱465,640)

The goodwill of ₱234.15 million reflects the expected synergy in the Company's growing generation portfolio (see Note 15). The goodwill is not deductible for tax purposes.

The fair value and gross amount of trade and other receivables amounted to ₱131.83 million and ₱132.96 million, respectively. The difference between the fair value and the gross amount of trade and other receivables represents the portion expected to be uncollectible.

TA Power
In line with the Company's objective of increasing its portfolio of power generating assets, on January 1, 2013, the Company entered into a Share Purchase Agreement with Holcim for the acquisition of Holcim's 50% stake in TA Power for a total purchase price of ₱475.50 million. The said amount was fully paid on January 3, 2013. This acquisition of additional TA Power shares increased TA Oil's shareholding in TA Power from 50% equity interest with a carrying value of ₱318.44 million to 100% equity interest with a total carrying value at the time of acquisition of ₱654.15 million. Previously, the Company accounted for its investment in TA Power as interest in a joint venture.

The purchase price consideration has been allocated to the identifiable assets and liabilities on the basis of fair values as follows at date of acquisition:

	Carrying Values	Fair Values Recognized
Current assets:		
Cash and cash equivalents	₱263,311	₱263,311
Investments held for trading	121,421	121,421
Trade and other receivables	233,296	228,157
Fuel and spare parts	104,133	104,133
Other current assets	128,343	127,168
Total current assets	850,504	844,190
Noncurrent assets:		
Property, plant and equipment	14,299	475,849
Available-for-sale investments	70,139	70,139
Deferred income tax assets - net	860	860
Investment property	8,607	13,085
Other noncurrent assets	1,058	1,058
Total noncurrent assets	94,963	560,991
Current liabilities:		
Trade and other payables	273,564	273,564
Due to related parties	7,387	7,387
Derivative liability	12	12
Total current liabilities	280,963	280,963
Noncurrent liabilities:		
Provision	5,000	5,000
Other post-employment benefits	5,351	5,351
Deferred income tax liabilities	–	139,808
Total noncurrent liabilities	10,351	150,159
Total identifiable net assets acquired	₱654,153	₱974,059

Total identifiable net assets acquired	₱974,059
Gain on bargain purchase	25,926
Purchase consideration transferred	₱948,133

Cash paid	₱475,500
Cash consideration allocated to pre-existing relationship	(14,396)
Cash paid for the acquisition	461,104
Fair value of previously held interest	487,029
Purchase consideration transferred	₱948,133

	Carrying Values	Fair Values Recognized
Cash flows from an investing activity:		
Net cash acquired from subsidiary		₱263,311
Cash paid		(461,104)
Net cash outflow		(₱197,793)

The fair value and gross amount of trade and other receivables amounted to ₱228.16 million and ₱233.30 million, respectively. The difference between the fair value and the gross amount of trade and other receivables represents the portion expected to be uncollectible.

The Company recognized ₱168.59 million gain from remeasurement of previously held interest of 50% in TA Power, included in "Other income (loss) - net" account in the consolidated statement of income for the year ended December 31, 2013, which is the difference of the fair value of previously held interest of ₱487.03 million and carrying value of investment in TA Power before business combination of ₱318.44 million.

As a result of the acquisition, the Company recognized gain on bargain purchase amounting to ₱25.93 million, included under "Other income (loss) - net" account in the consolidated statement of income for the year ended December 31, 2013. The gain resulted primarily from remeasurement of property, plant and equipment based on expected future cash generation.

The cash consideration of ₱475.50 million paid by the Parent Company included cash allocated to pre-existing relationship with TA Power. Prior to acquisition, TA Power has investments in the Parent Company amounting to ₱14.40 million.

Transaction costs of ₱0.56 million have been expensed and are included in "General and administrative expenses" in the consolidated statement of income for the year ended December 31, 2013.

The revenues and net income of TA Power in the Company's consolidated statement of income for the year ended December 31, 2013 amounted to ₱4.91 billion and ₱282.10 million, respectively.

As a result of TA Power becoming a wholly owned subsidiary of TA Oil effective January 1, 2013, the Parent Company's shares of stock held by TA Power amounting to ₱28.79 million was considered as treasury shares.

6. Cash and Cash Equivalents

	March 2016	December 2015
Cash on hand and in banks	**₱247,534**	₱102,166
Short-term deposits	**110,634**	253,577
	₱358,168	₱355,743

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Short-term deposits account includes debt service reserves amounting to ₱55.63 million and ₱55.50 million as at March 31, 2016 and December 31, 2015, respectively for the wind project loan facility (see Note 18).

7. Investments Held for Trading

Investments held for trading consist of investments in UITFs amounting to ₱612.75 million and ₱942.14 million as at March 31, 2016 and December 31, 2015, respectively.

The net changes in fair value of investments held for trading, included in "Interest and other financial income" account presented under "Other income (loss) - net" in the consolidated statements of income, amounted to ₱3.18 million and ₱2.52 million unrealized gains for the first quarter of 2016 and 2015, respectively.

Investments in UITFs as at March 31, 2016 and December 31, 2015 include debt service reserves amounted to ₱58.77 million and ₱86.85 million, respectively, for the wind project loan facility (see Note 18).

8. Receivables

	March 2016	December 2015
Trade (see Note 31)	**₱3,806,813**	₱3,454,353
Due from related parties (see Note 28)	**12,754**	6,640
Receivables from:		
Assignment of Mineral Production Sharing Agreement (MPSA) (see Note 15)	**39,365**	39,365
Consortium - SC 50 (see Note 15)	**20,000**	20,000
Employees	**9,588**	2,698
Stockholders (see Note 28)	**35**	35
Others	**18,940**	6,351
	3,907,495	3,529,442
Less allowance for doubtful accounts	**63,132**	63,132
	₱3,844,363	₱3,466,310

Trade receivables mainly represent receivables from PEMC, FIT from National Transmission Corporation (TransCo) and from the Company's bilateral customers. Trade receivables are noninterest-bearing and are generally on terms of 30 to 60 days.

The aging analysis of past due but not impaired receivables is as follows:

	March 2016							
		Neither Past Due nor	**Past Due but not Impaired**					**Past Due and**
	Total	**Impaired**	**<30 Days**	**30–60 Days**	**61–90 Days**	**91–120 Days**		**Impaired**
Trade	**₱3,806,813**	**₱1,912,858**	**₱317,302**	**₱103,015**	**₱105,039**	**₱1,348,126**		**₱20,473**
Due from related parties	**12,754**	**12,754**	–	–	–	–		–
Others	**87,928**	**43,556**	–	–	–	**1,713**		**42,659**
	₱3,907,495	**₱1,969,168**	**₱317,302**	**₱103,015**	**₱105,039**	**₱1,349,839**		**₱63,132**

	December 2015						
		Neither Past Due nor	Past Due but not Impaired				Past Due and
	Total	Impaired	<30 Days	30–60 Days	61–90 Days	91–120 Days	Impaired
Trade	₱3,454,353	₱1,958,805	₱127,243	₱8,898	₱13,316	₱1,325,618	₱20,473
Due from related parties	6,640	6,640	–	–	–	–	–
Others	68,449	4,616	74	36	46	21,018	42,659
	₱3,529,442	₱1,970,061	₱127,317	₱8,934	₱13,362	₱1,346,636	₱63,132

There were no movements in the allowance for doubtful accounts during the first quarter of 2016 and for the year 2015 .

Due to its interpretation of the WESM Rules, the PEMC allocates its uncollected receivables due from power purchasers in the WESM to the generators who sold power to the WESM. On December 23, 2013, the Supreme Court (SC) issued a 60-day Temporary Restraining Order (“TRO”) enjoining the MERALCO and the Energy Regulatory Commission (ERC) from implementing the Automatic Generation Rate Adjustment (AGRA) mechanism for the November 2013 billing period. The AGRA allows automatic pass through of the cost of power purchased from WESM. In turn, MERALCO did not pay PEMC a significant portion of its November and December 2013 power bills. PEMC in turn, did not pay the Company the full amount of its electricity sales. On April 22, 2014, the SC extended indefinitely the TRO it issued over the collection of the November 2013 power rate increase.

The ERC issued an Order (ERC Case No. 2014-021 MC) dated March 3, 2014 voiding the WESM prices of November and December 2013 bills. As directed by ERC, PEMC recalculated regulated prices and issued WESM adjustment bills in March 2014 which the Company recorded resulting to an increase in receivables and net trading revenues.

Certain market players filed motions for reconsideration resulting in ERC’s issuance of another Order dated March 27, 2014 for PEMC to provide market participants an additional 45 days, or up to May 12, 2014 to settle their WESM bills covering the adjustments for the period October 26 to December 25, 2013. ERC extended the settlement of WESM bills to a non-extendible period of 30 days up to June 11, 2014 which resulted in a Multilateral Agreement where the WESM Trading Participants agreed to be bound to a payment schedule of 6 months or 24 months subject to certain conditions. The Company signed the Agreement on June 23, 2014. In the first quarter of 2016, the Company collected ₱85.09 million and ₱508.00 million in 2015under the said Multilateral Agreement and was recognized as payable.

9. Fuel and Spare Parts - at cost

	March 2016	December 2015
Fuel	**₱199,463**	₱240,029
Spare parts	**75,543**	70,900
	₱275,006	₱310,929

Fuel charged to “Costs of sale of electricity” in the consolidated statements of income amounted to ₱125.45 million and ₱297.03 million during the first quarter of 2016 and 2015 (see Note 22).

10. Other Current Assets

	March 2016	December 2015
Input VAT	**₱533,901**	₱616,337
Creditable withholding taxes	**306,712**	282,068
Prepaid expenses	**80,750**	108,369
Deposits receivables	**50,117**	45,494
Derivative asset	**–**	98
	₱971,480	₱1,052,366

Input VAT is recognized when the Company purchases goods and services from a VAT-registered supplier.

Creditable withholding taxes represent amounts withheld by the Company's customers and is deducted from the Company's income tax payable.

Prepaid expenses pertain to insurance, rent and other expenses paid in advance.

Deposits receivables pertain to advances to suppliers and option money paid to various land owners.

11. Property, Plant and Equipment

The details and movements of this account are shown below:

	Land and Land Improvements	**Buildings and Improvements**	**Machinery and Equipment**	**Transportation Equipment**	**Mining and Other Equipment**	**Office Furniture, Equipment and Others**	**Construction in Progress**	**Total**
Cost								
Balance at beginning of year	**₱248,658**	**₱389,114**	**₱7,095,724**	**₱29,741**	**₱30,486**	**₱49,208**	**₱524,895**	**₱8,367,826**
Additions	**276**	**6,409**	**11,411**	**2,860**	**514**	**521**	**12,278**	**34,269**
Reclassifications	**–**	**–**	**289,366**	**–**	**–**	**–**	**-289,366**	**–**
Balance at the end of the quarter	**248,934**	**395,523**	**7,396,501**	**32,601**	**31,000**	**49,729**	**247,807**	**8,402,095**
Accumulated depreciation								
Balance at beginning of year	**1,236**	**187,564**	**730,369**	**8,951**	**21,782**	**36,108**	**–**	**986,010**
Depreciation (see Note 25)	**–**	**14,420**	**84,963**	**1,759**	**642**	**1,789**	**–**	**103,573**
Balance at the end of the quarter	**1,236**	**201,984**	**815,332**	**10,710**	**22,424**	**37,897**	**–**	**1,089,583**
Net Book Value as of March 31, 2016	**₱247,698**	**₱193,539**	**₱6,581,169**	**₱21,891**	**₱8,576**	**₱11,832**	**₱247,807**	**₱7,312,512**

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Mining and Other Equipment	Office Furniture, Equipment and Others	Construction in Progress	Total
Cost								
Balance at beginning of year	₱229,851	₱288,937	₱6,845,102	₱25,136	₱28,159	₱42,891	₱–	₱7,460,076
Additions	18,666	61,639	278,590	11,365	2,327	6,603	524,895	904,085
Disposals	–	–	(6,260)	(5,638)	–	(31)	–	(11,929)
Adjustments	–	16,971	–	(1,122)	–	(255)	–	15,594
Reclassifications	141	21,567	(21,708)	–	–	–	–	–
Balance at the end of the year	248,658	389,114	7,095,724	29,741	30,486	49,208	524,895	8,367,826
Accumulated depreciation								
Balance at beginning of year	1,236	93,149	443,533	8,843	19,557	30,699	–	597,017
Depreciation (see Note 25)	–	53,096	312,071	5,878	2,225	5,695	–	378,965
Disposals	–	–	(887)	(4,648)	–	(31)	–	(5,566)
Adjustments	–	16,971	–	(1,122)	–	(255)	–	15,594
Reclassifications	–	24,348	(24,348)	–	–	–	–	–
Balance at the end of the year	1,236	187,564	730,369	8,951	21,782	36,108	–	986,010
Net Book Value as of December 31, 2015	₱247,422	₱201,550	₱6,365,355	₱20,790	₱8,704	₱13,100	₱524,895	₱7,381,816

In 2014, TA Oil entered into a Memorandum of Agreement (MOA) with Power Sector Assets and Liabilities Management Corp. (PSALM) for the sale of power barges 101, 102 and 103 to TA Oil at an agreed price of ₱420 million (see Note 31). On July 8, 2015, these power barges were officially transferred to TA Oil. As at December 31, 2015, the total costs capitalized amounted to ₱524.89 million and included under “Construction in Progress” under “Property, plant and equipment” in the consolidated statement of financial position. These costs include the purchase price and all other dry-docking and repair costs.

The Company has commissioned eight wind measuring devices in six sites - San Lorenzo, Nueva Valencia and Sibunag in Guimaras and Ballesteros, Sta. Ana and Aparri in Cagayan. The wind mast in Sta. Ana was decommissioned in June 2011 due to low wind regime. In 2013, the wind mast in Suclaran, San Lorenzo was decommissioned while another wind mast located in Ballesteros was destroyed by a typhoon.

On May 20, 2013, the Philippine Department of Energy (DOE) confirmed the Declaration of Commerciality of the Company’s 54 MW Wind Power project in San Lorenzo, Guimaras under Wind Energy Service Contract (WESC) No. 2009-10-009. The DOE confirmation affirms the conversion of said WESC from Pre-Development to Commercial Stage.

On October 7, 2014, the 54 MW Wind Power project started delivering power to the grid from the commissioning operations of the first three (3) units of wind turbine generators.

On February 16, 2015, the Company received from the DOE the confirmation of Commercial Operation starting December 27, 2014 for its 54 MW San Lorenzo Wind Project. The carrying amount of the wind farm as at March 31, 2016 and December 31, 2015 is ₱5,748.50 million and ₱5,806.98 million, respectively, included under “Machinery and equipment” and “Land and land improvements” accounts.

Land Held under Finance Leases
The Company entered into finance leases of land in Suclaran and Cabano in San Lorenzo, Guimaras and Zaldivar and Sawang in Buenavista, Guimaras to facilitate the construction of San Lorenzo wind farm (see Note 31). The carrying amount of property and equipment held under finance leases, included under “Land and land improvements”, as at December 31, 2015 amounted to ₱113.44 million.

Capitalized Borrowing Costs
For the year ended December 31, 2014, the following borrowing costs were capitalized:

Interest expense on:	
Specific borrowings* (see Note 18)	₱102,901
General borrowings (see Note 18)	8,152
Amortization of debt issue costs (see Note 18)	4,096
Accretion of finance charges related to finance leases	8,868
	₱124,017

**Net of interest income amounting to ₱3.17 million.*

The rate used to determine the amount of borrowing costs on general borrowings eligible for capitalization was 5% while the rates used to determine the amount of borrowing costs on finance lease in the form of finance charges eligible for capitalization range from 6% to100%.

In 2015, no borrowing costs were capitalized.

Mortgaged Property and Equipment
TAREC's wind farm with carrying value of ₱5,554.62 million and ₱5,613.38 million, as at March 31, 2016 and December 31, 2015, is mortgaged as security for the ₱4.3 billion term loan (see Note 18).

12. Investments and Advances

Details of investments in associates and interests in joint ventures and the carrying amounts as at March 31 and December 31 are as follow:

	Percentage of Ownership	**March 2016**	December 2015
Investments in associates:			
Maibarara Geothermal, Inc. (MGI)	25.00	**₱321,734**	₱329,945
Asia Coal Corporation (Asia Coal)*	28.18	**631**	631
Union Aggregates Corporation (UAC)**	31.25	–	–
		322,365	330,576
Interests in joint ventures:			
SLTEC	50.00	**3,916,244**	3,788,486
ACTA	50.00	**70**	42
		3,916,314	3,788,528
Advances to associates and joint ventures:			
MGI		**45,000**	45,000
ACTA		**7,537**	7,537
		52,537	52,537
		₱4,291,216	₱4,171,641

**Shortened corporate life to October 31, 2009, hence, the investment is already fully impaired.*
***Ceased operations.*

The details and movements of investments as well as the advances in associates and interests in joint ventures accounted for under the equity method are as follows:

	March 2016	December 2015
Investment in an associate and interests in joint ventures		
Acquisition costs:		
Balance at beginning of year	**₱3,877,061**	₱3,877,061
Additions	**–**	–
Balance at end of quarter/year	**3,877,061**	3,877,061
Accumulated equity in net earnings (losses):		
Balance at beginning of year	**227,979**	(144,235)
Equity in net earnings (losses) for the period	**119,575**	372,214
Balance at end of quarter/year	**347,554**	227,979
Accumulated share in other comprehensive income:		
Balance at beginning of year	**(357)**	215
Share in other comprehensive income (loss)	**–**	(572)
Balance at end of quarter/year	**(357)**	(357)

(Forward)

	March 2016	December 2015
Other equity transactions:		
Other equity	**15,980**	15,980
	4,240,238	4,120,663
Less accumulated impairment losses	**1,559**	1,559
	4,238,679	4,119,104
Advances to associate and joint venture		
Balance at beginning of the year	**52,537**	–
Additional advances during the quarter/year	**–**	52,537
Balance at end of quarter/year	**52,537**	52,537
Total investments and advances	**₱4,291,216**	₱4,171,641

Investments in Associates

MGI

The Parent Company subscribed to 25% of the capital stock of MGI which was incorporated and registered with the SEC on August 11, 2010, to implement the integration development of the Maibarara geothermal field in Calamba, Laguna and Sto. Tomas, Batangas for power generation.

The summarized financial information in respect to MGI, a material associate of the Parent Company, as at and for the quarter ended March 31, 2016 and for the year ended December 31, 2015 and the reconciliation with the carrying amount of the investments and advances in the consolidated financial statements are shown below:

Summarized statements of financial position

	March 2016	December 2015
Current assets	**₱450,338**	₱310,497
Noncurrent assets	**3,331,683**	3,353,104
Total assets	**3,782,021**	3,663,601
Current liabilities	**(801,596)**	(652,961)
Noncurrent liabilities	**(1,693,491)**	(1,690,860)
Net assets	**1,286,934**	1,319,780
Proportion of the Company's ownership	**25%**	25%
Carrying amount of investments	**₱321,734**	₱329,945

Summarized statements of income

	Jan-Mar 2016	Jan-Mar 2015
Revenue from sale of electricity	**₱156,151**	₱190,742
Costs of sale of electricity	**130,676**	71,881
Gross profit	**25,475**	118,861
Other income (charges) - net	**(1,111)**	–
Interest income (expenses) - net	**(46,429)**	(52,068)
General and administrative expenses	**(10,781)**	(12,017)
Income (loss) before income tax	**(32,846)**	54,776
Provision for income tax	**–**	(2)
Net income (loss)	**(₱32,846)**	₱54,778
Total comprehensive income (loss)	**(₱32,846)**	₱54,778

On September 16, 2011, the Parent Company entered into an ESA with MGI under which the Parent Company will purchase the entire net electricity output of MGI's power plant for a period of 20 years at an agreed price, subject to certain adjustments.

MGI completed the commissioning of the steamfield facilities including the connection of the transmission line to MERALCO's distribution system and its energization in September 2013. Testing of high voltage systems were done in October 2013 while commissioning and testing of the 20 MW power plant commenced in November 2013.

Commercial operations started in February 2014.

The Parent Company is also a Project Sponsor for MGI's ₱2.40 billion Term Loan Facility for the Maibarara Geothermal Power Plant (see Note 31). In the event of a default of MGI, as a Project Sponsor, the Company is obligated to:

a. assign, mortgage or pledge all its right, title and/or interest in and its shares of stocks in MGI, including those that may be issued in the name of the Parent Company;
b. assign its rights and/or interests in the Joint Venture Agreement;
c. provide Project Sponsor's support for the completion of the project under such terms and conditions that may be agreed upon by the Parent Company and the lenders.

The loan covenants covering the outstanding debt of MGI include, among others, maintenance of debt-to-equity and debt-service ratios. As at March 31, 2016 and December 31, 2015, MGI is in compliance with the said loan covenants.

During 2015, the Phase 2 of the project, adding 12 MW already started and it is expected to be operational by 2017.

In 2015, the Parent Company granted advances amounting to ₱45.00 million.

Asia Coal
On March 19, 2009, the directors and stockholders of Asia Coal approved the shortening of its corporate life to October 31, 2009. Asia Coal shall be dissolved and liquidated, the date of which is subject to the approval of the SEC. As at March 31, 2016, Asia Coal is still in the process of securing a tax clearance with the BIR in connection with the filing with the SEC of its application for dissolution.

Asia Coal had no activities since it filed for the shortening of its corporate life.

<u>Interests in a Joint Venture</u>
The summarized financial information in respect to SLTEC, a material joint venture of the Parent Company, as at and for the quarter ended March 31, 2016 and for the year ended December 31, 2015 and the reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

SLTEC

Statements of Financial Position

	March 2016	December 2015
Current assets	**₱5,171,418**	₱5,561,978
Noncurrent assets	**19,536,296**	19,512,177
Current liabilities	**(2,746,971)**	(3,149,447)
Noncurrent liabilities	**(14,180,978)**	(14,401,006)
Net assets	**7,779,765**	7,523,702
Proportion of the Company's ownership	**50%**	50%
Parent Company's share in the net assets	**3,889,882**	3,761,851
Other adjustments*	**26,362**	26,635
Carrying amount of investment	**₱3,916,244**	₱3,788,486

**Alignment of accounting policies.*

Additional Information

	March 2016	December 2015
Cash and cash equivalents	**₱3,544,531**	₱4,038,038
Current financial liabilities*	**856,836**	1,099,842
Noncurrent financial liabilities	**14,180,978**	14,383,504

**Excluding trade, other payables and provision.*

Statements of Income

	Jan-Mar 2016	Jan-Mar 2015
Revenue from sale of electricity	**₱846,384**	₱–
Costs of sale of electricity	**645,268**	–
	201,116	–
General and administrative expenses	**(49,775)**	(34,188)
Interest income (expenses) - net	**(156,466)**	–
Other income	**360,377**	4,513
Income (loss) before income tax	**355,250**	(29,675)
Provision for (benefit from) deferred income tax	**99,402**	3,056
Net income (loss)	**255,850**	(32,731)
Other comprehensive income (loss)	**214**	(1,169)
Total comprehensive income (loss)	**₱256,064**	(₱33,900)

Additional Information

	Jan-Mar 2016	Jan-Mar 2015
Depreciation and amortization	**₱134,995**	₱2,950
Interest income	**19,127**	4,654
Interest expense	**175,593**	192,727

On October 29, 2011, SLTEC signed the Omnibus Loan and Security Agreement with its local third party creditor banks with the Parent Company and AC Energy as Project Sponsors.

Under the terms of the Agreement, the Parent Company shall:

- enter into supply agreements with end users sufficient to cover such capacity required by SLTEC to break-even for two years, within 18 months from first drawdown. The consequence of failure is a draw-stop, which means SLTEC will not be able to draw on the loan;
- commit to provide advances to SLTEC in proportion to the Parent Company's equity interest in SLTEC to fund the project cost of the SLTEC power plant project;
- guarantee jointly with AC Energy to redeem the loan in the event that SLTEC defaults on the loan, and lenders are not able to consolidate title to the project site because title to the properties have not been issued; and
- pledge its shares in SLTEC as security, and assign its offtake contracts to the lenders sufficient to cover such capacity required by SLTEC to break-even.

In accordance with the Joint Venture Agreement, AC Energy made an additional investment in SLTEC amounting to ₱61.08 million in 2011. The Company's share in the additional investment made by AC Energy amounting to ₱30.54 million was recorded under "Other equity reserve" account in the 2011 consolidated statement of changes in equity. In 2012, SLTEC incurred stock issuance costs totaling ₱12.66 million which were recognized by SLTEC as a reduction from its APIC and Retained earnings. Of this amount, ₱6.33 million which represents the Company's share in the said costs, was recognized equally as a reduction from the Company's other equity reserve account and retained earnings.

On April 24, 2015, Unit 1 of the 2x135MW commenced its commercial operations. The Unit 2 of the power plant declared its commercial operations on February 21, 2016.

13. Available-for-sale Investments

	March 2016	December 2015
Shares of stock:		
Listed	**₱156,647**	₱156,503
Unlisted	**93,885**	93,885
Golf club shares	**46,500**	45,380
	₱297,032	₱295,768

No impairment was recognized due to the decline in market value of securities for the quarters ended March 31, 2016 and 2015.

The movements in this account are as follows:

	March 2016	December 2015
Balance at beginning of the year	**₱295,768**	₱268,597
Additions during the quarter/year	**–**	10,718
Additions other than cash acquisitions	**–**	13,189
Disposals during the quarter/year	**(113)**	(11,509)
Net changes in the fair market value of AFS investments	**1,377**	14,773
Balance at end of the quarter/year	**₱297,032**	₱295,768

The movements in net unrealized gain on AFS investments are as follows:

	March 2016	December 2015
Balance at beginning of the year - net of tax	**₱101,478**	₱74,515
Net changes in the fair market value of AFS investments	**1,377**	14,773
Recycling of fair value change of certain quoted AFS due to impairment and disposal	**–**	12,424
Income tax effect	**(110)**	(234)
Balance at end of the quarter/year - net of tax	**₱102,745**	₱101,478

The dividend income earned from AFS investments amounted to ₱3.06 million and ₱4.20 million for the quarter ended March 31, 2016 and 2015, respectively.

14. Investment Properties

This account consists of:

	March 2016		
	Land	**Mezzanine**	**Total**
Cost -			
Balance at beginning and end of year	**₱13,085**	**₱28,134**	**₱41,219**
Less accumulated depreciation:			
Balance at beginning of year	**–**	**14,877**	**14,877**
Depreciation (see Note 25)	**–**	**490**	**490**
Balance at end of year	**–**	**15,367**	**15,367**
Net book value	**₱13,085**	**₱12,767**	**₱25,852**

	December 2015		
	Land	Mezzanine	Total
Cost -			
Balance at beginning and end of year	₱13,085	₱28,133	₱41,218
Less accumulated depreciation:			
Balance at beginning of year	–	12,916	12,916
Depreciation	–	1,961	1,961
Balance at end of year	–	14,877	14,877
Net book value	₱13,085	₱13,256	₱26,341

Investment properties are stated at cost less accumulated depreciation and any impairment loss. The fair value of the investment properties amounted to ₱50.73 million as at December 31, 2014 based on the latest valuation by an independent firm of appraisers in 2014. The Company's investment properties are composed of land and mezzanine property. Since there are no quoted market prices for identical assets in an active market available, the valuation is based on sound valuation approach and technique. Valuation techniques based on Market Data Approach and Sales Comparison Approach are used for the land and mezzanine property, respectively. The key assumptions used to determine the fair value of the investment properties and sensitivity analyses are discussed below.

Investment property	Significant unobservable inputs	Range (weighted average)
Land	Asking price (₱/sqm.)	₱1,700–₱2,500 (₱2,051)
Mezzanine Property	Sales Price (₱/sqm.)	₱76,413–₱140,000 (₱109,977)

The value of the land is arrived at using the Market Data Approach which estimates the value of the land based on sales and listings of comparable property registered within the vicinity. This technique requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparables. The properties used as bases of comparison are situated within the immediate vicinity of the land. The comparison was premised on the factors of location, size and shape of lot, time element and bargaining allowance.

The value of the mezzanine property is arrived at using the Sales Comparison approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by process involving comparison. The properties used as basis for comparison are situated within the subject building or in other comparable condominium buildings nearby. Comparison would be premised on the factors such as floor level location, interior finishes, parking slot location and facilities offered and the time element.

Rental income for the first quarter of 2016 and 2015 amounted to ₱0.32 million and ₱0.43 million, respectively, recognized in the consolidated statements of income, while related direct costs and expenses amounted to ₱0.92 million and ₱0.66 million for the first quarter of 2016 and 2015, respectively, included as part of "General and administrative expenses" account in the consolidated statements of income (see Note 23).

15. Goodwill and Other Intangible Assets

Following are the details and movements in this account:

	March 2016			
	Leasehold Rights	**Deferred Exploration Costs**	**Goodwill**	**Total**
Cost:				
Balance at beginning of year	**₱99,839**	**₱126,905**	**₱234,152**	**₱460,896**
Additions -				
Cash calls	**–**	**1,634**	**–**	**1,634**
Balance at end of year	**99,839**	**128,539**	**234,152**	**462,530**
Accumulated depreciation:				
Balance at beginning of year	**26,310**	**–**	**–**	**26,310**
Amortization (see Note 25)	**4,048**	**–**	**–**	**4,048**
Balance at end of year	**30,358**	**–**	**–**	**30,358**
Net book value	**₱69,481**	**₱128,539**	**₱234,152**	**₱432,172**

	December 2015			
	Leasehold Rights	Deferred Exploration Costs	Goodwill	Total
Cost:				
Balance at beginning of year	₱99,839	₱116,405	₱234,152	₱450,396
Additions -				
Cash calls	–	10,500	–	10,500
Balance at end of year	99,839	126,905	234,152	460,896
Accumulated depreciation:				
Balance at beginning of year	10,120	–	–	10,120
Amortization (see Note 25)	16,190	–	–	16,190
Balance at end of year	26,310	–	–	26,310
Net book value	₱73,529	₱126,905	₱234,152	₱434,586

<u>Leasehold Rights and Goodwill</u>
Leasehold rights and goodwill arise from the acquisition of TA Power of the entire outstanding shares of stocks of One Subic (see Note 5).

Impairment Testing of Goodwill
The goodwill acquired through business combination was allocated for impairment testing to One Subic's power plant operations. The recoverable amount of goodwill was determined using the value in use approach. Value in use was based on the cash flow projections of the most recent financial budgets and forecasts approved by the BOD, which management believes are reasonable and are management's best estimate of the ranges of economic conditions that will exist over the remaining useful life of the asset. The pre-tax discount rate of 9.5% was applied based on the weighted average cost of capital adjusted for the difference in currency and specific risks associated with the assets or businesses of such CGUs.

The recoverable amount exceeded the carrying amount of the individual assets, which as a result, no impairment was recognized for the quarter ended March 31, 2016 and for the year ended December 31, 2015.

Deferred Exploration Costs

The balance of deferred exploration costs consists of expenditures incurred in the following production-sharing petroleum and geothermal projects:

	March 2016	December 2015
Petroleum and gas		
SC 51/Geophysical Survey and Exploration Contract (GSEC) No. 93 (East Visayas)	**₱32,666**	₱32,666
SC 69 (Camotes Sea)	**15,085**	15,085
SC 6 (Northwest Palawan)	**24,830**	23,946
SC 55 (Southwest Palawan)	**5,714**	5,714
SC 52 (Cagayan Province)	**30,438**	30,438
SC 50 (Northwest Palawan)	**11,719**	11,719
Geothermal		
SC 8 (Mabini, Batangas)	**8,087**	7,337
	₱128,539	₱126,905

The foregoing deferred exploration costs represent the Company's share in the expenditures incurred under petroleum and geothermal SCs with the DOE. The contracts provide for certain minimum work and expenditure obligations and the rights and benefits of the contractor. Operating agreements govern the relationship among co-contractors and the conduct of operations under an SC.

As at March 31, 2016 and December 31, 2015, no impairment loss was recognized on deferred exploration costs.

Refer to Annex B-1 for the status of the Company's projects.

MPSA 252-2007-V (Camarines Norte)

On July 28, 2007, TA Oil was awarded MPSA No. 252-2007-V by the Philippine Department of Environment and Natural Resources (DENR) covering parcels of land with an aggregate area of more or less 333 hectares, located in the municipality of Camarines Norte, Philippines (the "Property"). On February 14, 2008, TA Gold and TA Oil entered into an Operating Agreement where TA Oil granted unto and in favor of the TA Gold the exclusive right to explore, develop and operate for commercial mineral production the Property under the MPSA. In June 2009, TA Oil received a notice of an Order of the Secretary of the DENR excising portions of the MPSA area that are covered by alleged mineral patents of a third party for which TA Oil filed a Motion for Reconsideration for the said Order.

In December 2009, the DENR denied TA Oil's Motion for Reconsideration. TA Oil filed a timely Appeal of the DENR's ruling with the Office of the President, which was also denied. TA Oil then elevated the case to the Court of Appeals.

TA Oil signed an Agreement on October 18, 2011 for the assignment of the MPSA to Investwell Resources, Inc. (Investwell), subject to certain conditions for a total consideration of US$4.00 million payable in four tranches. The receipt of the first nonrefundable tranche amounting to US$0.50 million (₱21.93 million) was recognized as income in 2011. The receipt of the second and third nonrefundable tranches amounting to US$1.00 million (₱42.20 million), net of the related deferred exploration cost of ₱11.47 million, was also recognized as income in the year payments were received.

On October 30, 2012, the Court of Appeals granted TA Oil's petition to reverse and set aside the resolutions of the DENR and the Office of the President that ordered and affirmed, respectively, excision of certain areas covered by alleged mining patents of a third party from the contract area of the MPSA. Subsequently, TA Oil elevated the case to the Supreme Court.

In Agreements dated May 29, 2012, March 19, 2013, June 25, 2013 and December 18, 2013, the Company and Investwell amended and restructured the payment of the fourth tranche of the total consideration.

The DENR approved on February 7, 2013 the assignment of the MPSA to Investwell, and TA Oil recognized US$0.87 million (₱37.93 million) income representing a portion of the final tranche.

On January 12, 2015, the Supreme Court ruled that the rights pertaining to mining patents issued pursuant to the Philippine Bill of 1902 and existing prior to November 15, 1935 are vested rights that cannot be impaired by the Mineral Production Sharing Agreement granted by the DENR to TA Oil on July 28, 2007.

As at March 31, 2016 and December 31, 2015, receivable from Investwell amounted to ₱39.37 million. In 2014, TA Oil provided an allowance for impairment for the full amount of receivable from Investwell since the latter did not comply with the restructured payment (see Note 8).

<u>Mabini Geothermal Service Contract (Batangas)</u>
On December 3, 2013, TA Oil signed a MOA with Basic Energy Corporation (Basic), under which TA Oil shall acquire from Basic a 10% participating interest in the Mabini Geothermal Service Contract, which interest may be increased up to 40%, at the option of TA Oil, after TA Oil completes a gravity program in the contract area at its sole cost.

The DOE approved on September 1, 2015 a one-year extension of Contract Year 8 to July 10, 2016 with a one-well drilling obligation. On September 15, 2015, the DOE approved the transfer of 25% participating interest in subject GSC from Basic to TA Oil.

Preparations for drilling commenced in the fourth quarter of 2015.

16. Other Non-current Assets

	March 2016	December 2015
Receivable from a third party	**₱72,433**	₱71,733
Prepaid rent	**49,083**	49,331
Deposit receivable	**51,333**	36,264
Balance at end of year	**₱172,849**	₱157,328

Receivable from a third party is interest bearing and payable in November 2017.

Prepaid rent pertains to easements and right of way agreements with land owners in Guimaras for the transmission lines to be used to connect its 54 MW wind farm project located in San Lorenzo, Guimaras to the grid.

Deposit receivables include deposits to various suppliers outstanding as of March 31, 2016 and December 31, 2015.

17. Accounts Payable and Other Current Liabilities

	March 2016	December 2015
Trade	**₱1,873,134**	₱1,814,374
Due to related parties (see Note 28)	**715,560**	663,570
Output VAT	**289,474**	327,039
Accrued interest expense	**68,164**	118,155
Accrued expenses	**54,383**	74,838
Non-trade	**8,508**	69,043
Accrued directors' and annual incentives (see Note 28)	**25,541**	18,500
Finance lease obligation - current portion	**13,562**	10,815
Retention payable	**3,571**	3,571
Others	**6,503**	4,632
	₱3,058,400	₱3,104,537

Accounts payable and other current liabilities are noninterest-bearing and are normally settled on 30 to 60-day terms.

Retention payables pertains to amounts retained from liabilities to suppliers and contractors.

Accrued expense includes sick and vacation leave accruals, station use, One Subic variable rent at Subic Bay Metropolitan Authority (SBMA), accrual of employees' 13th month and other benefits and other accruals for the first quarter of 2016.

Others consists of liabilities to employees, SSS, deferred rent income, deposit payable and current portion of mortgage payable.

18. Long-term Loans

As at December 31 this account consists of:

	March 2016	December 2015
TAREC term loan facility	**₱4,300,000**	₱4,300,000
TA Oil long term loans	**2,955,000**	2,970,000
	7,255,000	7,270,000
Add premium on long-term loans (embedded derivative)	**8,968**	9,389
Less unamortized debt issue costs	**86,186**	89,887
	7,177,782	7,189,502
Less current portion of long-term loans (net of amortized debt issue costs)	**58,093**	58,454
Noncurrent portion	**₱7,119,689**	₱7,131,048

Movements in derivatives and debt issue costs related to the long-term loans follow:

	Derivatives	Debt Issue Costs
As at January 1, 2015	₱10,997	₱72,151
Additions	–	30,341
Amortization for the quarter/year	(1,608)	(12,605)
As at December 31, 2015	9,389	89,887
Amortization for the quarter (see Note 26)	(420)	(3,701)
As at March 31, 2016	**₱8,969**	**₱86,186**

TAREC

On December 18, 2013, TAREC entered into a ₱4.3 billion Term Loan Facility with Security Bank Corporation (SBC) and Development Bank of the Philippines (DBP). The proceeds were used to partially finance the 54 MW San Lorenzo Wind Farm composed of 27 2 MW wind turbine generators and related roads, jetty, substations, transmission line facilities and submarine cable to connect to the grid. The loan facility is divided into two tranches amounting to ₱2.15 billion each – DBP as the Tranche A lender and SBC as the Tranche B lender.

Both tranches have a term of 15 years with semi-annual interest payments starting on the date on which the loan is made. The Tranche A's interest is to be fixed at the higher of 10-year PDS Treasury Fixing (PDST-F) plus a spread of 1.625% or 6.25% for the first 10 years, to be repriced at higher of 5-year PDST-F plus a spread of 1.25% or 6.25% for the last 5 years. The Tranche B will be fixed at higher of interpolated 15-year PDST-F plus a spread of 1.625% or 6.5%. The interest rate floor on the loan is an embedded derivative that is required to be bifurcated. In 2013, the Company did not recognize any derivative liability arising from the bifurcated interest floor rate since the fair value is not significant.

On April 1, 2015, the publication of PDST-F rates ceased pursuant to the memo of the Bankers Association of the Philippines (BAP) dated January 8, 2015. Subsequently, the parties agreed to adopt PDS Treasury Reference Rate PM (PDST-R2) as benchmark rate in lieu of PDST-F rates.

The loan facility also contains a prepayment provision which allows TAREC to make optional prepayment for both Tranche A and Tranche B in the amount calculated by the facility agent as accrued interest and other charges on the loan up to the prepayment date plus, the higher of a) the principal amount of the loan being prepaid, or b) the amount calculated as the present value of the remaining principal amortizations and interest payments on the loan being prepaid, discounted at the comparable benchmark tenor as shown in the Philippine Dealing and Exchange Corp. (PDEx) Market Page, Reuters and the PDEx website (www.pdex.com.ph) at approximately 11:16 am on the business day immediately preceding the prepayment date. In addition, TAREC is allowed to prepay the Tranche A loan, without penalty or breakfunding cost, on the interest re-pricing date. The prepayment option was assessed as closely related to the loan and, thus, was not bifurcated.

Under the terms of the Agreement, TA Oil, as the Project Sponsor, shall:

- Provide equity contributions equivalent to 30% of the project cost;
- Fund any cost overruns on the project and the required debt service reserve amount (DSRA) in the event of delays in obtaining Feed-in-Tariff eligibility or Renewable Energy Payment Agreement; and

- Redeem the loan in the event that TAREC defaults on the loan and titles to the project properties have not been issued to TAREC or notwithstanding such titles, lenders fail to acquire title to the project properties due to lack of annotation or third party claims.

The loan agreement provides loan disbursement schedule for the drawdown of the loan. TAREC made the following drawdowns during the years 2015 and 2014 with the corresponding carrying values as at March 31, 2016 and December 31, 2015:

	March 2016			
	Tranche A (DBP)		**Tranche B (SBC)**	
Drawdown date	**Gross Amount**	**Carrying value**	**Gross Amount**	**Carrying value**
February 14, 2014	₱310,000	₱307,549	₱310,000	₱306,298
May 27, 2014	550,000	545,139	550,000	544,208
August 5, 2014	550,000	546,505	550,000	544,449
September 2, 2014	500,000	496,333	500,000	495,196
July 30, 2015	240,000	225,841	240,000	225,825
	₱2,150,000	**₱2,121,367**	**₱2,150,000**	**₱2,115,976**

	December 2015			
	Tranche A (DBP)		Tranche B (SBC)	
Drawdown date	Gross Amount	Carrying value	Gross Amount	Carrying value
February 14, 2014	₱310,000	₱307,271	₱310,000	₱306,176
May 27, 2014	550,000	544,812	550,000	544,012
August 5, 2014	550,000	545,991	550,000	544,260
September 2, 2014	500,000	495,980	500,000	495,030
July 30, 2015	240,000	225,461	240,000	225,450
	₱2,150,000	₱2,119,515	₱2,150,000	₱2,114,928

The loan's principal repayment is variable amount payable semi-annually; amount of principal repayment to be determined during the due diligence stage based on the required debt service coverage ratio (DSCR) and financial projections using the Financial Model validated by an independent financial model auditor. Any incremental revenue resulting from a subsequent increase in the applicable FIT rate shall be applied to principal repayment of the loan in the inverse order of maturity. Incremental revenue is the difference in the revenue based on existing FIT rate of ₱7.40/kwh and a new base rate as defined by the relevant government agency excluding annual adjustments to account for inflation and foreign exchange movements.

Under the loan facility agreement, TAREC must maintain a debt service account into which will be paid the maximum interest forecasted to be due and payable for the next two following payment dates that will fall within the construction period and the amount of debt service after the construction period. Debt service accounts are included under "Cash and cash equivalents" and "Investments held for trading" in the consolidated statements of financial position.

Covenants. The Term Loan Facility includes, among others, certain restrictive covenants and requirements with respect to the following, effective upon commercial operations of TAREC:

(a) Minimum Debt Service Coverage Ratio (DSCR) post dividend declaration of 1.20x throughout the term of the loan
(b) Limitation on investments (not to enter into joint ventures, partnership; create subsidiary/branch)
(c) Restricted payments (not to distribute dividends, make payments to affiliates)

TAREC is in compliance with the loan covenants as at March 31, 2016 and December 31, 2015.

Commercial operations, as defined in said Term Loan Facility, shall mean the date on which the Wind Farm Project is capable of being fully operational and able to generate power and transmit the same to the Visayas Grid and shall require the Commissioning and the Take-Over (as defined in the Construction Contracts) of the Wind Farm Project by TAREC and the issuance of the Certificate of Compliance by the Energy Regulatory Commission (ERC). TAREC's certificate of compliance was issued by ERC on December 1, 2015.

The loan facility is secured by TAREC's wind farm, included in "Machinery and Equipment" accounts under "Property plant and equipment" with carrying value amounting of ₱5,613.38 million. In addition, as a security for the timely payment, discharge, observance and performance of the obligations, TA Oil entered into a Pledge Agreement covering the subscriptions of stocks of TA Oil and its nominees.

<u>TA Oil</u>

The relevant terms of the long-term loans of TA Oil are as follows:

Description	Interest Rate (per annum)	Terms	**March 2016**	December 2015
₱1.50 billion loan with China Banking Corporation (CBC)	The higher of 7-year PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.675% for the first 7 years; repricing for the last 3 years, the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate.	Availed on April 14, 2014, payable in quarterly installment within 10 years to commence 1 year after the first interest payment date with final repayment in April 10, 2024; contains negative pledge	**₱1,471,169**	₱1,478,676
₱1.00 billion loan with SBC	Fixed at a rate equivalent to the 5-year PDST-F rate one business day prior to drawdown date plus 1.00%, for 5 years	Availed on April 11, 2014, principal repayment equivalent to 2% of the loan per annum, payable in quarterly payment starting at the end of the 5th quarter following drawdown; bullet payment on maturity date; contains negative pledge	**981,884**	986,636
₱0.50 billion loan with Banco De Oro Unibank, Inc. (BDO)	The higher of 7Y PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.675% for the first 7 years; repricing for the last 3 years), the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate	Availed on April 30, 2014, payable in quarterly installments within 10 years to commence 1 year after the first interest payment date with final repayment in January 30, 2024; contains negative pledge	**487,386**	489,747
Carrying value			**₱2,940,439**	₱2,955,059

In the first quarter of 2016 and for the year 2015, principal repayments made relative to TA Oil's loans amounted to ₱15.00 million and ₱30.00 million, respectively.

TA Oil's loan with CBC has an embedded interest rate floor that required to be bifurcated

TA Oil's long-term loans also contain prepayment provisions as follows:

Description	Prepayment provision
₱1.50 billion loan with CBC	Early redemption is at the option of the issuer exercisable anytime at par plus break-funding cost. Break-funding cost on principal repayment shall be based on the difference between the contracted interest rate and the comparable benchmark rate. The negative difference shall be multiplied by the prepaid amount and the remaining tenor to come up with break-funding cost, which in no case is less than zero.
₱1.00 billion loan with SBC	Early redemption is at the option of the issuer exercisable on an interest payment date every anniversary starting from the 7th year from Issue date. Prepayment amount is at par. Transaction cost is minimal.
₱0.50 billion loan with BDO	Early redemption is at the option of the issuer exercisable on an interest payment date every anniversary starting from the 7th year from Issue date. Prepayment amount is at par. Transaction cost is minimal.

The prepayment option on the loans with CBC and BDO were assessed as closely related and, thus, not required to be bifurcated. For the loan with SBC, the prepayment option was assessed as not closely related but was not bifurcated because the prepayment option has nil or very minimal value since it is deeply out of the money.

Covenants. Under the loan agreements, TA Oil has certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control.

Description	Covenants
₱1.50 billion loan with CBC	(a) Minimum DSCR of 1.0 times after Grace Period up to Loan Maturity (b) Maximum Debt to Equity ratio of 1.5 times
₱1.00 billion loan with SBC	(a) Minimum DSCR of 1.0 times after Grace Period up to Loan Maturity (b) Maximum Debt to Equity ratio of 2.0 times (c) Minimum Current ratio of 1.0 times
₱0.50 billion loan with BDO	(a) Minimum DSCR of 1.0 times after Grace Period up to Loan Maturity (b) Maximum Debt to Equity ratio of 1.5 times

In addition, there is also a restriction on the payment or distribution of dividends to its stockholders other than dividends payable solely in shares of its capital stock if payment of any sum due the lender is in arrears or such declaration, payment or distribution shall result in a violation of the financial ratios prescribed.

As at March 31, 2016 and December 31, 2015, the Company is in compliance with the terms as required in the loan covenants.

Total interest expense recognized on long-term loans amounted to ₱116.66 million and ₱106.97 million in the first quarter of 2016 and 2015, respectively (see Notes 11 and 26).

19. Equity

Capital Stock

Following are the details of the Parent Company's capital stock:

	Number of Shares	
	March 2016	December 2015
Authorized capital stock - ₱1 par value	**8,400,000,000**	8,400,000,000
Issued and outstanding:		
Balance at beginning of year	**4,865,146,089**	4,865,146,089
Issuance during the quarter/year:		
Exercise of stock grants (see Note 20)	**1,795,098**	–
Balance at end of quarter/year	**4,866,941,187**	4,865,146,089

The issued and outstanding shares as at March 31, 2016 and December 31, 2015 are held by 3,225 and 3,224 equity holders, respectively.

On November 16, 2009, in a special stockholders' meeting, the Parent Company's stockholders approved the increase in the Parent Company's authorized capital stock from ₱2.0 billion divided into 2 billion shares, to ₱4.2 billion divided into 4.2 billion shares which shall be funded through SRO. On March 30, 2011, the SEC approved the SRO of 1.165 billion shares of the Parent Company at the rate of seven shares for every 10 shares held as at record date of May 18, 2011, at a price of ₱1 per share. The offer period commenced on May 30, 2011 and ended on June 3, 2011. Total proceeds raised from the SRO, net of direct costs incurred, amounted to ₱1.15 billion. The proceeds were used to partially finance the Company's equity investment in SLTEC and MGI.

On March 20, 2012, the Parent Company's stockholders approved the increase in the authorized capital stock from ₱4.2 billion divided into 4.2 billion shares with par value of ₱1 per share to ₱8.4 billion divided into 8.4 billion shares with a par value of ₱1 per share which shall be funded by a stock rights offering. On September 26, 2012, the Parent Company filed with the SEC Form 10.1 Notice of / Application for Confirmation of Exempt Transaction covering the common shares to be issued relative to the Company's Rights Offer, pursuant to Sections 10.1 (e) and 10.1 (i) of the Securities Regulations Code (SRC) under which the exemption is based. On October 3, 2012, the SEC approved the stock rights offering of 1.42 billion shares of the Parent Company at the rate of one (1) share for every two (2) shares held as at record date of November 7, 2012 at a price of ₱1 per share. The offer period commenced on November 14, 2012 and ended on November 20, 2012. The Parent Company also offered an additional 212.25 million shares to meet additional demand from eligible stockholders ("Overallotment Option"). Total proceeds raised from the SRO, net of direct costs incurred, amounted to ₱1.61 billion. The proceeds were used to finance its equity investments in a 54 MW wind energy project in San Lorenzo, Guimaras and the second 135 MW clean coal-fired power plant in Calaca, Batangas, and other power project opportunities.

The following table presents the track record of registration of capital stock:

Date of SEC Approval	No. of shares Registered	No. of shares Issued	Par Value	Issue/ Offer Price
08-Feb-69	2,000,000,000	1,000,000,000	₱0.01	₱0.01
22-Jul-75	2,000,000,000	937,760,548	0.01	0.01
16-Jul-79	6,000,000,000	6,058,354,933	0.01	0.01
12-Feb-88	10,000,000,000	7,643,377,695	0.01	0.02
08-Jun-93	10,000,000,000	8,216,141,069	0.01	0.01
15-Jul-94	70,000,000,000	50,170,865,849	0.01	0.01
24-Aug-05	1,000,000,000	264,454,741	1.00	1.00
06-Jun-11	2,200,000,000	1,165,237,923	1.00	1.00
12-Nov-12	4,200,000,000	2,027,395,343	1.00	1.00

Retained earnings

The Company's retained earnings balance amounted to ₱2.92 billion and ₱2.85 billion, respectively, as at March 31, 2016 and December 31, 2015. Retained earnings not available for declaration to the extent of (a) undistributed earnings of subsidiaries, associates and joint venture included in the Company's retained earnings amounting to ₱1,091.32 million and ₱935.64 million as at March 31, 2016 and December 31, 2015, respectively, and (b) cost of treasury shares amounting to ₱28.79 million as at March 31, 2016 and December 31, 2015.

Other Equity Reserve

This account consists of:

	March 2016	December 2015
Other equity reserves from joint venture [a]	**₱19,144**	₱19,144
Other equity reserve from Stock Option Plan [b]	**14,661**	14,661
Effect of distribution of property dividends - TA Petroleum shares [c]	**1,108**	1,108
	₱34,913	₱34,913

a. This relates to the accumulated share in expenses directly attributable to issuance of stocks of SLTEC, one of the Parent Company's joint ventures (see Note 12).

b. This reserve is used to recognize the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration in accordance to the Stock Option Plan (see Note 20).

c. This represents the impact of the property dividend distribution in the form of TA Petroleum shares on the equity attributable to equity holders of the Parent Company when the Parent Company's ownership interest decreased but did not result in loss of control. The Parent Company's effective ownership in TA Petroleum decreased from 100% to 50.97% in 2014.

Dividends declared
Cash dividends declared in the first quarter of 2016 and the for the years 2015, 2014 and 2013 are as follows:

	Dividend			
Date of Declaration	Type	Rate	Amount	Record Date
March 21, 2013	Cash	0.04 per share	₱194,318*	April 8, 2013
July 22, 2013	Cash	0.013/0.0385 per share	64,057	August 5, 2013
March 24, 2014	Cash	0.04 per share	194,555	April 7, 2014
February 23, 2015	Cash	0.04 per share	194,602	March 9, 2015
February 23, 2016	**Cash**	**0.04 per share**	**194,678**	**March 9, 2016**

**Includes dividends on shares held by TA Power.*

On July 22, 2013, the Parent Company's BOD also approved the declaration of property dividends to stockholders of record date of August 5, 2013 which consist of shares of stock of TA Petroleum at the rate of 2.55 TA Petroleum shares for every 100 TA Oil shares held and cash in the amount of ₱0.013 per share to TA Oil's stockholders, with stockholders residing in the United States receiving cash of ₱0.0385 per TA Oil share in lieu of TA Petroleum shares.

20. Employee Stock Options and Executive Stock Grants

On April 2, 2007, the Company's BOD and stockholders approved a total of 100 million shares to be taken from the then unsubscribed portion of the Company's 2 billion authorized shares to be awarded as follows: (a) stock grants for officers and managers of the Company; and (b) stock options for directors, officers and employees of TA Oil and its subsidiaries and affiliates under the terms and conditions as determined by the Executive Committee of the BOD.

The exercise of such grants and options are subject to the following terms and conditions:

Stock Grants
The executive stock grants are given to officers and managers of the Company computed at a predetermined percentage of their variable compensation pay based on certain performance criteria.

Stock Options
Following are the specific terms of the Company's Stock Option Plan:

Coverage	Directors, permanent officers and employees of TA Oil and its subsidiaries and affiliates
Exercise price	At weighted average closing price for 20 trading days prior to grant date but should not be lower than par value of ₱1.00 per share
Vesting period	• Up to 33% of the allocated shares on the 1st year from the date of grant; • Up to 66% of the allocated shares on the 2nd year from the date of grant; and • Up to 100% of the allocated shares on the 3rd year from the date of grant.

Right to Exercise Option	Continuous employment required. In the event of resignation, termination or retirement, the optionee shall be entitled only to the options due him/her up to the effectivity of separation. Full payment is required prior to separation date. In the event of death of optionee, his/her heirs, executors, or administrators shall have the right to exercise the balance of options granted and pay in cash.

On May 7, 2008, the Company's Stock Option Committee suspended the implementation of the Stock Option Plan. The Committee also decided to implement only the Company's Stock Grant for its executives which resulted in the issuance of 0.70 million shares in 2013 and 0.14 million shares in 2012. No stock grants have been granted and awarded to any of the executives of the Company for the first quarter of 2016 and for the year 2015.

On July 22, 2013, the grant date, the Company lifted the suspension of the Stock Option Plan and awarded additional options under the same plan. Exercise price is ₱2.29 per share.

The following illustrates the number of outstanding stock options as at March 31, 2016 and December 31, 2015:

	March 2016	December 2015
Outstanding at January 1	**29,170,947**	33,785,351
Forfeited during the year	–	(4,614,404)
Outstanding at end of the quarter/year	**29,170,947**	29,170,947
Exercisable at end of the quarter/year	**29,170,947**	29,170,947

The remaining contractual life for the stock options outstanding as at March 31, 2016 and December 31, 2015 is 0.31 years and 0.55 years, respectively.

A summary of the stock option plan for the years ended December 31 follows:

2015	Vesting date	July 22, 2013	July 22, 2014	July 22, 2015
	Vesting shares	14,030,101	13,420,991	11,666,741
2014	Vesting date	July 22, 2013	July 22, 2014	July 22, 2015
	Vesting shares	14,030,101	13,420,991	12,506,044

The fair value of the options granted is estimated at the date of grant using binomial method, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the Stock Option Plan in 2013:

	33.33% vesting on July 22, 2013	33.33% vesting on July 22, 2014	33.33% vesting on July 22, 2015
Spot price	₱2.40	₱2.40	₱2.40
Exercise price	2.29	2.29	2.29
Risk-free rate	2.162%	2.162%	2.162%
Expected volatility	31.25%	31.25%	31.25%
Term to vesting	3 years	3 years	3 years
Fair value of stock options	₱0.5472 per option	₱0.5472 per option	₱0.5472 per option

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Equity-based compensation expense recognized by the Company under “Salaries and directors’ fees” account amounted to ₱1.86 million in 2015.

Carrying value of the stock option plan recognized under the “Other equity reserve - stock option plan” account in the equity section of the consolidated statements of financial position amounted to ₱14.66 million as at December 31, 2015.

21. Revenue from Sale of Electricity

	Jan – Mar 2016	Jan – Mar 2015
Trading Revenues	**₱2,562,768**	₱2,475,798
Generation Revenues	**564,028**	432,948
	3,126,796	2,908,746

22. Costs of Sale of Electricity

	Jan – Mar 2016	Jan – Mar 2015
Cost of power purchased	**₱2,331,571**	₱2,102,873
Fuel (see Note 9)	**125,453**	297,030
Depreciation and amortization (see Notes 11, 14, 15 and 25)	**101,414**	90,012
Repairs and maintenance	**36,248**	22,869
Transmission costs	**30,420**	36,574
Taxes and licenses	**28,897**	15,085
Insurance	**24,525**	21,533
Salaries (see Note 24)	**24,091**	17,368
Rental	**17,786**	16,008
Pension and employee benefits (see Note 24)	**5,276**	3,226
Station used	**793**	10,303
Filing fees	**95**	100
Others	**6,377**	2,627
	₱2,732,946	₱2,635,608

23. General and Administrative Expenses

	Jan – Mar 2016	Jan – Mar 2015
Management and professional fees (see Note 28)	**₱45,747**	₱20,509
Salaries and directors' fees (see Notes 22, 24 and 28)	**34,318**	21,608
Taxes and licenses	**27,333**	26,022
Depreciation and amortization (see Note 11, 14, 15 and 25)	**6,697**	5,972
Pension and employee benefits (see Note 24)	**4,268**	4,283
Building maintenance and repairs	**2,844**	3,257
Insurance, dues and subscriptions	**2,596**	1,799
Transportation and travel	**1,287**	2,375
Meeting and conferences	**1,229**	423
Communication	**1,074**	726
Office supplies	**804**	751
Bank charges	**682**	3,647
Corporate social responsibilities	**509**	1,630
Rent	**292**	1,110
Contractor's fee	**146**	555
Advertisements	**110**	223
Donation and contribution	–	1,310
Entertainment, amusement and recreation	–	7
Others	**384**	1,646
	₱130,320	₱97,853

24. Personnel Expenses

	Jan – Mar 2016	Jan – Mar 2015
Salaries and directors' fees included under:		
Costs of sale of electricity (see Note 22)	**₱24,091**	₱17,368
General and administrative expenses (see Note 23)	**34,318**	21,608
Pension and employee benefits included under:		
Costs of sale of electricity (see Note 22)	**5,276**	3,226
General and administrative expenses (see Note 23)	**4,268**	4,283
	₱67,953	₱46,485

25. Depreciation and Amortization

	Jan – Mar 2016	Jan – Mar 2015
Property, plant and equipment (see Note 11)	**₱103,573**	₱91,446
Investment property (see Note 14)	**490**	490
Leasehold rights (see Note 15)	**4,048**	4,048
	₱108,111	₱95,984
Costs of sale of electricity (see Note 22)	**₱101,414**	₱90,012
General and administrative expenses (see Note 23)	**6,697**	5,972
	₱108,111	₱95,984

26. Other Income (Loss) - Net

	Jan – Mar 2016	Jan – Mar 2015
Gain on derivatives - net	**₱–**	₱83
Foreign exchange gain (loss) – net	**(1,223)**	439
Interest and other financial income (see Note 7)	**4,396**	3,334
Gain on sale of AFS investments (see Note 13)	**40**	–
Others	**2,096**	922
	₱5,309	₱4,778

Interest and Other Financial Income

The details of interest and other financial income are as follows:

	Jan – Mar 2016	Jan – Mar 2015
Interest income on:		
Cash in banks	**₱15**	₱1
Short-term deposits and investments	**475**	788
Others	**725**	24
Net gains (losses) on investments held for trading:		
Unrealized FV gain (loss) on investments held for trading	**(612)**	1,187
Gain on sale of investments held for trading	**3,793**	1,334
	₱4,396	₱3,334

Interest and Other Finance Charges

The details of interest and other finance charges are as follows:

	Jan – Mar 2016	Jan – Mar 2015
Interest expense on:		
Long-term loans (see Note 18)	**₱113,694**	₱106,966
Amortization of debt issue cost (see Note 18)	**800**	760
Finance lease obligation (see Note 31)	**2,964**	–
Tax assessment	**108**	–
Asset retirement obligation	**92**	–
Other finance charges	**4**	4
Amortization of embedded derivative	**(420)**	
	₱117,242	**₱107,730**

27. Income Tax

a. Current income tax pertains to the following:

	Jan – Mar 2016	Jan – Mar 2015
RCIT	**₱15,879**	₱9,557
MCIT	**–**	2,316
	₱15,879	₱11,873

b. The components of the Company's net deferred income tax assets (liabilities) as at March 31, 2016 and December 31, 2015 are as follows:

	March 2016	December 2015
Deferred income tax assets:		
Pension and other employee benefits	**₱12,986**	₱12,054
Allowance for impairment loss - PPE	**11,810**	–
Allowance for doubtful accounts	**6,156**	17,965
Derivative liabilities	**2,691**	2,817
Unamortized past service cost	**2,515**	2,534
Asset retirement obligation	**2,084**	2,056
Accrued expenses	**1688**	1,658
Deferred rent income	**481**	43
Unrealized forex loss	**463**	206
Allowance for inventory obsolescence	**146**	146
Others	–	613
	₱41,020	₱40,092
Deferred income tax liabilities:		
Unrealized fair value gains on available-for-sale investments	**₱(4,275)**	(₱4,165)
Unrealized fair value gains on FVPL	**(115)**	(383)
Unamortized portion of documentary stamp tax	**(3,479)**	**–**
Unamortized debt issue costs	**–**	(3,621)
Asset retirement obligation	**(392)**	(403)
Others	**–**	(217)
	(8,261)	(8,789)
Deferred income tax assets – net	**₱32,759**	₱31,303
Deferred income tax asset -		
Excess of cost over fair value of power plant	**₱–**	₱2,421
Deferred income tax liabilities:		
Excess of fair value over cost of power plant	**(117,872)**	(120,604)
Leasehold rights	**(18,424)**	(22,059)
Unrealized forex gain	**(1)**	
Unamortized capitalized borrowing costs	**(2,282)**	(2,312)
Deferred income tax liabilities	**138,579**	144,975
Deferred income tax liabilities - net	**(₱138,579)**	(₱142,554)

The Company's deductible temporary differences and unused NOLCO for which no deferred income tax assets were recognized in the consolidated balance sheets are as follows:

	March 2016	December 2015
NOLCO	**₱131,313**	₱129,030
Allowance for impairment loss on property and equipment	**105,009**	105,009
MCIT	**20**	20
	₱236,342	₱234,059

Deferred income tax assets have not been recognized on these temporary differences that relate to the subsidiaries as management believes it is not probable that sufficient future taxable profit will be available against which the related deferred income tax assets can be used. As at March 31, 2016 NOLCO totaling ₱131.31 million can be claimed as deduction from regular taxable income and MCIT amounting to ₱0.02 million can be credited against future RCIT due as follows:

Date Incurred	Expiry Date	MCIT	NOLCO
December 31, 2013	December 31, 2016	₱–	₱29,245
December 31, 2014	December 31, 2017	–	87,073
December 31, 2015	December 31, 2018	20	12,663
December 31, 2016	December 31, 2019	–	2,332
		₱20	₱131,313

Excess of MCIT over RCIT incurred in 2013 and 2014 totaling to ₱2.58 million was deducted by the Company against its RCIT due for the year ended December 31, 2015.

28. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individual or corporate entities.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the quarter ended March 31, 2016 and for the year ended December 31, 2015, the Company has not recorded any impairment of receivables on amounts owed by the related parties. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In the ordinary course of business, the Company transacts with associates, affiliates, jointly controlled entities and other related parties on advances, loans, reimbursement of expenses, office space rentals, management service agreements and electricity supply. The transactions and balances of accounts as at and for the quarter ended March 31, 2016 and for the year ended December 31, 2015 with related parties are as follows:

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
		March 2016			
Ultimate Parent					
PHINMA, Inc.					
Revenues	**₱229**	Rent and share in expenses	**₱63**	30-60 day ,non-interest bearing	Unsecured, no impairment
Costs and expenses	**20,108**	Management fees and share in expenses	**(38,661)**	30-day, non-interest bearing	Unsecured
Payable	**–**	Rental deposit	**(186)**	Non-interest bearing	Unsecured
Joint Ventures					
SLTEC					
Revenues	**7,907**	Sale of electricity, rent and share in expenses	**12,691**	30-day, non-interest bearing	Unsecured, no impairment
Cost and expenses	**865,830**	Purchase of electricity	**(617,974)**	30-day, non-interest bearing	Unsecured
Payable	**–**	Rental deposit	**(590)**	End of lease term	Unsecured
ACTA					
Receivables	**–**	–	**–**	–	–
Associates					
MGI					
Costs and expenses	**149,668**	Trading cost	**(22,648)**	30-day, non-interest bearing	Unsecured
Asia Coal					
Payable	**–**	Advances	**(254)**	Non-interest bearing	Unsecured
Other Related Parties					
PHINMA Property Holdings Corporation (PPHC)					
Payable	**–**	Advances	**(171)**	30-60 day, non-interest bearing	Unsecured
PHINMA Corp.					
Revenues	**2,188**	Cash dividend and share in expenses	**–**		
Costs and expenses	**177**	Share in expenses	**(5)**	30-day, non-interest bearing	Unsecured
Union Galvasteel Corp.(UGC)					
Revenue	**1,140**	Cash dividend	**–**		
T-O Insurance, Inc.					
Costs and expenses	**21,724**	Insurance expense	**13,819**	30-60 day, non-interest bearing	Unsecured
Prepaid expenses	**–**	Insurance expense	**(48,889)**	30-60 day, non-interest bearing	Unsecured
Emar Corp.					
Revenues	**64**	**Share in expenses**			
Directors					
Costs and expenses	**11,070**	Director's fee and annual incentives	**(25,541)**	On demand	Unsecured
Stockholders					
Payable	**194,678**	Cash dividend	**(11,477)**	On demand	Unsecured
Receivable	**–**	Withholding tax on property dividend	**35**	On demand	Unsecured

Due from related parties (see Note 8)	**₱12,754**
Receivable from stockholders (see Note 8)	**35**
Due to related parties (see Note 17)	**(715,560)**
Accrued directors and annual incentives (see Note 17)	**(25,541)**
Due to stockholders	**(11,477)**

December 2015					
Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Ultimate Parent					
PHINMA, Inc.					
Revenues	₱969	Rent and share in expenses	₱16	30-60 day ,non-interest bearing	Unsecured, no impairment
Costs and expenses	73,489	Management fees and share in expenses	(31,698)	30-day, non-interest bearing	Unsecured
Payable	–	Rental deposit	(186)	Non-interest bearing	Unsecured
Joint Ventures					
SLTEC					
Revenues	154,260	Sale of electricity, rent and share in expenses	6,624	30-day, non-interest bearing	Unsecured, no impairment
Cost and expenses	2,338,331	Purchase of electricity	(491,978)	30-day, non-interest bearing	Unsecured
Payable	–	Rental deposit	(590)	End of lease term	Unsecured
ACTA					
Advances	7,537	Advances for future subscription	7,537	Non-interest bearing	Unsecured, no impairment
Associates					
Asia Coal					
Receivable	–	Advances	(254)	Non-interest bearing	Unsecured
MGI					
Costs and expenses	772,280	Trading cost	(81,618)	30-day, non-interest bearing	Unsecured
Advances	45,000	Advances for future subscriptions	45,000	Non-interest bearing	Unsecured, no impairment
Receivable	300	Reimbursement	–		
Other Related Parties					
PHINMA Property Holdings Corporation (PPHC)					
Payable	–	Advances	(171)	30-60 day, non-interest bearing	Unsecured
PHINMA Corp.					
Revenues	5,387	Cash dividend and share in expenses	–		
Costs and expenses	2,268	Share in expenses	(406)	30-day, non-interest bearing	Unsecured
Payable	9,864	Purchase of dollar and euro	–		
Union Galvasteel Corp.(UGC)					
Revenue	3,649	Cash dividend	–		
T-O Insurance, Inc.					
Costs and expenses	43,500	Insurance expense	(7,780)	30-60 day, non-interest bearing	Unsecured
Prepaid expenses	47,346	Insurance expense	(48,890)	30-60 day, non-interest bearing	Unsecured
Receivable	185	Refund on overpayment	–		
Directors					
Costs and expenses	29,063	Director's fee and annual incentives	(18,500)	On demand	Unsecured
Stockholders					
Payable	194,606	Cash dividend	(11,570)	On demand	Unsecured
Receivable	–	Withholding tax on property dividend	35	On demand	Unsecured
Due from related parties (see Note 8)			₱6,640		
Receivable from stockholders (see Note 8)			35		
Advances to associates and joint ventures (see Note 12)			52,537		
Due to related parties (see Note 17)			(663,570)		
Accrued directors and annual incentives (see Note 17)			(18,500)		
Due to stockholders			(11,570)		

PHINMA
The Parent Company and its subsidiaries TA Power, CIPP, TAREC and TA Petroleum have management contracts with Philippine Investment-Management (PHINMA), Inc. up to August 31, 2018 except for TA Power whose contract with PHINMA is up to 2016, renewable thereafter upon mutual agreement. Under these contracts, PHINMA has a general management authority with corresponding responsibility over all operations and personnel of the Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance, and other business activities of the Company. Under the existing management agreement, the Parent Company pays PHINMA a fixed monthly management fee plus an annual incentive based on a certain percentage of the Parent Company's net income.

SLTEC
SLTEC leases and occupies part of the office space owned by the Parent Company. Monthly rent is based on a pre-agreed amount subject to 5% escalation rate per annum. The lease agreement is for a period of five years commencing on October 10, 2011. SLTEC reimbursed TA Oil for the cost of the coal power plant under construction and other costs incurred in relation to the coal project in 2011.

PHINMA Corporation
PHINMA Corporation is likewise controlled by PHINMA, INC. through a management agreement. PHINMA Corporation bills the Parent Company for its share in expenses. The Parent Company also receives cash dividends received from PHINMA Corp. Phinma Corporation granted advances to TA Oil for its working capital requirements.

PHINMA Property Holdings Corporation (PPHC)/Union Galvasteel Corporation (UGC) [formerly Atlas Holding Corporation (AHC)]/Asian Plaza, Inc.
PPHC, UGC and Asian Plaza, Inc. are entities under common control. The Company receives cash dividend from these corporations.

T-O Insurance, Inc.
T-O Insurance, Inc. is likewise controlled by PHINMA, INC. through a management agreement. The Company insures its properties through T-O Insurance.

Directors
The Company recognized bonus to directors computed based on net income before the effect of the application of the equity method of accounting.

Retirement Fund
The fund is managed by a trustee under the Phinma Jumbo Retirement Plan. The fair value of the retirement fund of the Parent Company amounts to ₱109.65 million as at December 31, 2015.

The plan assets include shares of stock of the Parent Company with fair value ₱0.02 million as at December 31, 2015. The shares were acquired at a cost of ₱0.03 million. There are no restrictions or limitations on the shares and there was no material gain or loss on the shares for the quarter ended March 31, 2016 and for the year ended December 31, 2015. The voting rights over the shares are exercised through the trustee by the retirement committee, the members of which are directors or officers of the Parent Company.

29. Earnings Per Share

Basic and diluted EPS are computed as follows:

	Jan- Mar 2016	Jan- Mar 2015
	(In Thousands, Except for Number of Shares and Per Share Amounts)	
(a) Net income attributable to equity holders of Parent Company	**₱265,969**	₱65,455
Common shares outstanding at beginning of year (see Note 19)	**4,865,146,089**	4,865,146,089
Weighted average number of shares issued during the quarter/year	**433,980**	–
(b) Weighted average common shares outstanding	**4,865,580,069**	4,865,146,089
Basic/Diluted EPS (a/b)	**₱0.05**	₱0.01

The Company's stock options have no dilutive effect in 2015. Also, the Company does not have any potential common share nor other instruments that may entitle the holder to common shares. Hence, diluted EPS is the same as basic EPS.

30. Material Partly-Owned Subsidiaries

Financial information of subsidiaries that have material non-controlling interest are provided below:

Proportion of equity interest held by non-controlling interests for the first quarter of 2016 and for the year 2015 are as follows:

	Percentage of ownership (%)	
Name	**March 2016**	December 2015
TA Petroleum	**48.86**	48.86
Palawan55	**33.89**	33.89

Summarized statement of financial position as at March 31, 2016 and December 31, 2015 are as follows:

March 2016		
	TA Petroleum	**Palawan55**
Current assets	**₱115,029**	**₱2,212**
Noncurrent assets	**91,431**	**5,713**
Current liabilities	**(168)**	**(52)**
Total equity	**₱206,292**	**₱7,873**
Attributable to:		
Equity holders of the Parent Company	**₱105,498**	**₱5,205**
Non-controlling interests	**100,794**	**2,668**

December 2015	TA Petroleum	Palawan55
Current assets	₱118,179	₱2,228
Noncurrent assets	90,572	5,713
Current liabilities	539	59
Total equity	₱208,212	₱7,882
Attributable to:		
Equity holders of the Parent Company	₱106,480	₱5,211
Non-controlling interests	101,732	2,671

Summarized statements of income and statements of comprehensive income for the first quarters ended March 31, 2016 and 2015 are as follows:

Jan - Mar 2016	**TA Petroleum**	**Palawan55**
Revenues	**₱325**	**₱2**
Expenses	**(2,247)**	**(11)**
Other income (expense) – net	**(2)**	**–**
Benefit from (Provision for) deferred income tax	**4**	**–**
Net loss	**(₱1,920)**	**(₱9)**
Total comprehensive loss	**(₱1,920)**	**₱9**
Net loss/ total comprehensive loss attributable to:		
Equity holders of the Parent Company	**(982)**	**(6)**
Non-controlling interests	**(938)**	**(3)**

Jan - Mar 2015	TA Petroleum	Palawan55
Revenues	₱286	₱5
Expenses	(2,098)	(65)
Other income (expense) – net	14	–
Net loss	₱1,798	₱60
Total comprehensive loss	₱1,798	₱60
Net loss/ total comprehensive loss attributable to:		
Equity holders of the Parent Company	916	40
Non-controlling interests	882	20

Summarized statements of cash flows for the first quarter of 2016 and 2015 as follows:

March 2016	**TA Petroleum**	**Palawan55**
Operating	**(₱2,558)**	**(₱29)**
Investing	**1,176**	**2**
Net decrease in cash and cash equivalents	**(₱1,382)**	**(₱27)**

	March 2015	
Operating	(₱1,556)	(₱52)
Investing	(187)	–
Net increase (decrease) in cash and cash equivalents	(₱1,743)	(₱52)

There were no dividends paid to non-controlling interests for the quarters ended March 31, 2016 and 2015 .

31. Significant Laws, Commitments and Contracts

Electric Power Industry Reform Act (EPIRA)
Republic Act (R.A.) No. 9136, the EPIRA, and the covering Implementing Rules and Regulations (IRR) provide for significant changes in the power sector which include among others:

(1) The unbundling of the generation, transmission, distribution and supply, and other disposable assets of the Company, including its contracts with independent power producers, and electricity rates;
(2) Creation of a WESM; and
(3) Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within five years from the effectivity of the EPIRA. It provides cross-ownership restrictions between transmission and generation companies and between transmission and distribution companies, and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

The Company believes that it is in compliance with the applicable provisions of the EPIRA and its IRR.

Retail Competition and Open Access
Upon meeting all conditions set forth in RA 9136 Section 31, namely,

a. Establishment of WESM;
b. Approval of the unbundling of transmission and distribution wheeling charges;
c. Initial implementation of the cross subsidy scheme;
d. Privatization of at least (70%) of the total capacity of generating assets of NPC in Luzon and Visayas, and;
e. Transfer of the management of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators, the Energy Regulatory Commission (ERC) promulgated last December 17, 2012 the Transitory Rules for the Retail Competition and Open Access (RCOA), by virtue of ERC Resolution No. 16 Series of 2012.

Through RCOA, licensed Electricity Suppliers such as TA Oil are empowered to directly contract with Contestable Customers (bulk electricity users with an average demand of 1 MW). This major development in the Power Industry enabled TA Oil to grow.

Secondary Price Cap
Significant events in November and December 2013 resulted in a surge of electricity prices that affected the end-consumers, which led the Energy Regulatory Commission to impose a supplemental regulatory cap, under the ERC Resolution 20, Series of 2014. The said resolution established a preemptive mitigating measure in the WESM meant to limit significant increases in the WESM prices.

The Secondary Price Cap imposes a Cumulative Price Threshold (CPT) amounting to ₱1,512,028.00 equivalent to the Generator Weighted Average Prices (GWAP) over a rolling seven-day period, or 168-hour trading interval, equivalent to an average spot price of ₱9,000/megawatt (₱9 per kWh) over the period. A breach of the CPT for the period triggers the imposition of a price cap amounting to P6,245/mWh [₱6.245 per kWh]. The market clearing price for the immediate trading interval following the breach will be pegged at the price cap and shall be maintained until after a determination that the succeeding GWAP rolling average is already below the CPT.

This regulatory cap was made permanent. and requires all trading participants in the WESM to comply. TA Oil and its subsidiaries that sell to WESM are subject to this cap.

Renewable Energy Act of 2008
On January 30, 2009, R.A. No. 9513, An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes, which shall be known as the "Renewable Energy Act of 2008" (the Act), became effective. The Act aims to:

(1) Accelerate the exploration and development of Renewable Energy (RE) resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy;
(2) Increase the utilization of RE by institutionalizing the development of national and local capabilities in the use of RE systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives;
(3) Encourage the development and utilization of RE resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and
(4) Establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, RE developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the Board of Investments, shall be entitled to incentives, such as, income tax holiday, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

The Company expects that the Act may have significant effect on the operating results of TAREC, an RE developer. Impact on the operating results is expected to arise from the effective reduction in taxes.

Renewable Energy Service Contracts

In October 2009, TAREC was awarded 10 wind energy service contracts by the DOE, representing a total potential wind capacity of 227MW.

In February 2010, another 10 service contracts representing an additional 123MW of potential wind capacity were again awarded to TAREC by the DOE, thus, bringing its total potential wind capacity to 350MW as at December 31, 2010.

In 2011, 8 wind energy service contracts which represent 89 MW were applied for relinquishment pending the approval to the DOE due to poor wind resource and complexity of site topography as examined during site survey.

In 2012, TAREC continued the development activities on the 12 wind service contract areas with an aggregate capacity estimated at 400MW. This includes the 54MW San Lorenzo Wind Project which was then awaiting notification from the DOE for the project's inclusion in the 200 MW installation target for wind at that time.

On May 20, 2013, the DOE confirmed the Declaration of Commerciality of the 54 MW Wind Power project in San Lorenzo, Guimaras under WESC No. 2009-10-009. The DOE confirmation affirms the conversion of said WESC from Pre-Development to Commercial Stage.

On October 7, 2014, the 54 MW Wind Power project started delivering power to the grid from the commissioning operations of the first three (3) units of wind turbine generators.

On February 16, 2015, TAREC received from the DOE the confirmation of start of Commercial Operations of its 54MW San Lorenzo Wind Project commencing on December 27, 2014.

Feed-in-Tariff (FIT)

Pursuant to Section 7 of the Republic Act No. 9513 or the Renewable Energy Act of 2008, which mandates the establishment of the feed-in tariff system (FIT System) for electricity produced from wind, solar, ocean, run-of-river hydropower and biomass, the following regulations have been passed:

(i) Department Circular No. DC2013-05-0009, the Guidelines for the Selection Process of Renewable Energy Projects under Feed-In Tariff System and the Award of Certificate for Eligibility; prescribing the rules for eligibility of Renewable Energy Developer to avail of the FIT

(ii) ERC Resolution No. 10, Series of 2012, approved the FIT rates and equivalent degression rates for all Renewable Energy technologies entitle to FIT.

RE Technology	FIT Rate (PhP/kWh)	Degression Rate	Installation Target
Wind	8.53	0.5% after 2 years from effectivity of FIT	200
Biomass	6.63	0.5% after 2 years from effectivity of FIT	250
Solar	9.68	6% after 1 year from effectivity of FIT	50
Run-of-River Hydropower	5.90	0.5% after 2 years from effectivity of FIT	250

On April 7, 2015, the DOE issued a Certification on the Installation Target of Wind Energy Generation under the Feed-In Tariff (FIT) System which increased the installation target for wind energy generation under the FIT System from 200 MW to 400 MW.

On June 10, 2015, the 54 MW San Lorenzo Wind Power Project of TAREC was issued a Certificate of Endorsement for Feed-In Tariff Eligibility COE-FIT No. W-2015-05-004 by the DOE. By virtue of the endorsement, the 54 MW San Lorenzo Wind Power Project is qualified to avail of the FIT System, subject to the issuance by the DOE of a new installation target for wind energy generation projects.

On December 11, 2015, the Company received its Certificate of Compliance from the ERC for its 54 MW San Lorenzo Wind Project. The certificate entitles the Company to recognize its FIT at an approved rate of ₱7.40, with a retroactive period beginning December 27, 2014, for a guaranteed period of 20 years until December 26, 2034. Previously, power delivered to the grid were priced at spot rate. Thus, additional revenues amounting to ₱15.96 million due to the use of FIT rate for the power delivered from December 27 to 31, 2014 was recognized in 2015. Outstanding receivable under the FIT System amounted to ₱372.57 million as at December 31, 2015.

<u>Electricity Supply Agreement (ESA) with Guimelco</u>
On November 12, 2003 TA Oil signed an ESA with Guimelco, a nonstock, nonprofit cooperative (see Note 1) This was subsequently amended on July 26, 2004 and March 27, 2015. Under the ESA, TA Oil agreed to construct, operate and maintain a 3.4 MW bunker C-fired diesel generator power station and to supply Guimelco with electricity based on the terms and conditions set forth in the ESA. Following are the significant provisions of the ESA, among others:

Cooperation Period	Ten years, and may be extended pursuant to the ESA.
Electricity Fees	Electricity fees is based on a formula as set forth in the ESA and shall be payable monthly during the Cooperation Period.
Electricity Delivery Procedures	Guimelco must give priority to electricity generated by the Company's power station up to 1.8 MW, over any other power source.

The power plant commenced commercial operations on June 26, 2005.

<u>MOA Between Power Sector Assets and Liabilities Management ("PSALM") Corporation and TAOil</u>
On October 30, 2013, PSALM Corporation conducted the third round of bidding for the Sale of Power Barges ("PB") 101, 102 and 103 (the "Power Barges"). SPC Island Power Corporation (SIPC) was declared the Highest Bidder, while TAOil was declared as the Second Highest Bidder. On November 8, 2013, PB 103 was de-moored and ran aground during the onslaught of Typhoon Yolanda resulting in damage to its hull and other equipment, which prompted SIPC to terminate its Asset Purchase Agreement with PSALM. At present, PB 101 and 102 are located at Bo. Obrero, Iloilo City while PB 103 is currently located at Keppel Subic Shipyard Inc., at Subic Zambales for purposes of cleaning and repairs.

Subsequently, PSALM and TAOil entered into negotiations for the sale of the Power Barges and on December 23, 2014, the parties entered into a MOA to provide for the terms and conditions for the sale of the Power Barges at the contract price of ₱420 million. The parties agreed to several conditions precedent to be observed prior to the transfer to TAOil of the Power Barges, which was to occur on February 21, 2015. However, the Closing Date of February 21, 2015 did not push through due to insufficiency of the documents submitted by PSALM and ongoing unresolved issues of PSALM with Keppel relative to PB 103. Trans-Asia notified PSALM that it is giving PSALM 45 days or until April 10, 2015 within which to submit the required documents to comply with the conditions under the MOA.

On July 7, 2015 both PSALM and TAOil have already delivered to each other their respective closing documents and TAOil paid to PSALM the purchase price in the amount of P420M. The official turnover of the Power Barges to TA Oil was held on July 8, 2015.

Ancillary Services Procurement Agreements (ASPA) - National Grid Corporation of the Philippines (NGCP & TA Power)

On December 10, 2012, the NGCP and TA Power executed an ASPA. Under the ASPA, TA Power's Bulacan Power Plant will provide Contingency and Dispatchable Reserves to ensure reliability in the operation of the transmission system and the electricity supply in the Luzon Grid for five (5) years upon the effectivity of the provisional approval or final approval issued by the Energy Regulatory Commission (ERC).

In an Order dated February 25, 2013, the ERC provisionally approved the application filed by NGCP and Trans-Asia and which approval was extended every year thereafter.

Ancillary Services Procurement Agreements (ASPA) - National Grid Corporation of the Philippines (NGCP & TA Oil)

On December 10, 2012, the NGCP and TA Oil executed an ASPA. Under the ASPA, One Subic's Power Plant will provide Contingency and Dispatchable Reserves to ensure reliability in the operation of the transmission system and the electricity supply in the Luzon Grid for five (5) years upon the effectivity of the provisional approval or final approval issued by the Energy Regulatory Commission (ERC).

In an Order dated February 25, 2013, the ERC provisionally approved the application filed by NGCP and Trans-Asia and which approval was extended every year thereafter.

Electricity Supply Agreements with Holcim

TA Oil, TA Power and Holcim entered into a MOA (as amended on January 12, 2010 and December 20, 2010) with the following provisions:

- TA Power shall supply exclusively the electricity requirements of the Bulacan plant of Holcim at rates equal to the agreed "Time of Use" rates schedule plus all other charges and applying such adjustments approved and in the manner prescribed by the ERC.

- TA Oil, acting as a retail electricity supplier, shall exclusively supply all the electricity requirements of Holcim's cement plant in La Union until 2013. TA Oil shall charge Holcim at rates equal to the agreed "Time of Use" schedule plus all other charges and applying such adjustments approved and in the manner prescribed by the ERC. Transmission charges shall be settled separately by Holcim with the TransCo under Holcim's Transmission Services Agreement.

- TA Oil and TA Power guarantee to cover all of Holcim's electricity requirements for both the La Union and Bulacan plants until 2013.

In August 2011, TA Oil and Holcim signed an ESA for Holcim's electricity requirements for its La Union and Bulacan plants, valid for 15 years commencing on December 26, 2013.

Power Administration and Management Agreement with One Subic Power

On November 18, 2010, TA Oil and One Subic Power, a third party entered into a PAMA. Under the terms of the PAMA, TA Oil will administer and manage the entire generation output of the 116 MW diesel power plant in Subic, Olongapo City. TA Oil will be selling or trading the entire capacity of the power plant, while operations will be under One Subic Power for a period of five years commencing on the commercial operation date (the date when the power plant is capable of supplying power to the Grid). TA Oil will pay One Subic Power for all electricity actually delivered by the power plant based on a formula (actual fuel consumption and electricity generated) as set forth in the PAMA and shall be payable monthly. The PAMA became effective on February 17, 2011.

Contract to Purchase Generated Electricity with Sem-Calaca Power Corporation

On March 26, 2011, the Company entered into a Contract to Purchase Generated Electricity with Sem-Calaca Power Corporation (Sem-Calaca) for a period of 3 years. Under the Contract, the Company agrees to purchase the 15 MW output of Sem-Calaca Power Plant.

On February 27, 2013, TA Oil amended the existing Contract to Purchase Generated Electricity. Under the new contract, TA Oil can purchase up to 45MW of electricity from Sem-Calaca's power plant. Moreover, TA Oil renewed the contract for another three years from February 1, 2013 to March 25, 2016.

Power Purchase Agreement with MGI

On September 13,2011, TA Oil and Maibarara Geothermal Inc., (MGI) entered into a 20-year Electricity Supply Agreement for the purchase by TA Oil of all of the generated output of MGI's 20MW Geothermal Power Plant located at Sitio Capuz., Brgy. San Rafael, Sto. Tomas Batangas.

Power Purchase Agreement with SLTEC

TA Oil and South Luzon Thermal Energy Corporation (SLTEC) entered into a 15-year Power Purchase Agreement on 2011 and 2013 respectively, for the purchase by TA Oil of all of the generated output of the two units of the 135MW coal-fired thermal power plant of SLTEC located at the Municipality of Calaca, Province of Batangas.

Contracts of Sale of Electricity with Sorsogon I Electric Cooperative, Inc. (SORECO I) and Quezon I Electric Cooperative, Inc. (QUEZELCO)

On November 11, 2011 and December 8, 2011, TA Oil entered into Contracts of Sale of Electricity with SORECO I and QUEZELCO II, for a period of 12 months and five years, respectively, from December 26, 2011. The contract with QUEZELCO II provides an option to renew the contract for a period mutually agreed by both parties. The contract with SORECO I provides an option to renew for another 12 months subject to mutual agreement by both parties. In accordance with the contract, TA Oil shall supply 90% of QUEZELCO II's and all of SORECO I's electricity requirements on an hourly basis using the market trading node of TA Oil's designated generator. The contract with SORECO I ended on December 25, 2012 and was not renewed.

Contract of Sale of Electricity with Lafarge Republic, Inc,

On July 9, 2012, TA Oil entered into Contract for the Sale of Electricity with Lafarge Republic, Inc. for a period of five years from December 26, 2012 to December 25, 2017. Under the said agreement, TA Oil shall supply all the electricity requirement of Lafarge Cement Plants (located in Bigte and Minuyan, Norzagaray, Bulacan and Mapulo, Taysan, Batangas) in excess of the Base-Load Supply.

Contract of Sale of Electricity with Lafarge Republic, Inc. (Teresa Cement Plant)
On November 4, 2013, TA Oil entered into Electricity Sale Contract with Lafarge Republic, Inc. for its Teresa Cement Plant. The contract was possible under the Retail Competition and Open Access Regime. TA Oil agreed to supply the peaking electricity requirements of the Lafarge Teresa facility until December 25, 2017.

Contract of Sale of Electricity with Lafarge Republic Aggregates Inc. (Lafarge BAAC)
On February 3, 2014 TA Oil entered into Electricity Sale Contract with Lafarge Republic Aggregates Inc. TA Oil agreed to supply all the electricity requirements of Lafarge BAAC until December 25, 2017.

Electricity Sale Contract with Direct Power Services, Inc. (DPSI)
On April 17, 2013, TA Oil entered into Electricity Sale Contract with Direct Power Services, Inc.

TA Oil agreed to supply all the electricity requirements of facilities supplied by Direct Power. The contract has duration of twelve (12) years.

Contract of Sale of Electricity with Philippine Economic Zone Authority (PEZA)

PEZA-Lot1 Base Load
TA Oil entered into Contract for the Sale of Electricity Lot 1 Base Load with PEZA on December 20, 2012 for a period of 5 years. Under the said agreement, TA Oil shall supply the Base Load electricity requirement of PEZA for its Cavite Economic Zone (CEZ). Delivery of electricity commenced on January 26, 2013.

PEZA-Lot 2 Shoulder and Peak Load
TA Oil entered into Contract for the Sale of Electricity Lot 2 Shoulder and Peak Load with PEZA for a period of 5 years. Under this agreement, TA Oil shall supply all of the electricity requirement of PEZA for its CEZ in excess of the base load supply. Delivery of electricity commenced on January 26, 2013.

Tripartite Agreement with PEZA and MERALCO
On January 24, 2013, TA Oil entered into a Tripartite Agreement with PEZA and MERALCO to facilitate the implementation of the Contract for the Sale of Electricity with PEZA before Retail Competition and Open Access. The agreement is effective from January 24, 2013 to June 25, 2013. The agreement was extended until 25 December 2016, pursuant to a letter sent by Meralco which was agreed by all parties.

Maibarara Geothermal, Inc. (MGI)
As Project Sponsor of the 20 MW Maibarara power plant project, TA Oil has provided a pledge on its shares in MGI, a guarantee to provide additional equity or advances to the Project in case of cost overruns and an assignment to the lenders of the Electricity Supply Agreement with MGI.

Electricity Sales Contract
On June 7, 2013, TA Oil entered into Electricity Sales Contract with BATELEC I Electric Cooperative, Inc. (BATELEC I) for a period of 5 years upon ERC approval. TA Oil will supply the Load Following Requirements of BATELEC I.

Power Sale Contract
On April 23, 2013, TA Oil entered into Power Sales Contract with KEPCO SPC Power Corporation (KEPCO) for a period of five years from May 2013 to April 2018. KEPCO agreed to

supply TA Oil the Contract Quantity upon the terms and subject to the condition set out in the Power Service Contract.

Electricity Supply Agreement
On June 17, 2014, TA Oil entered into Electricity Sales Contract with Holcim Philippines, Inc. (Mabini Grinding Plant) for a period of 10 years. TA Oil agreed to supply the electricity requirements of Holcim Mabini.

Power Supply Agreement with the Region 8 Electric Cooperatives
On December 20, 2014, TA Oil also executed a separate Power Supply Agreement with each of the following cooperatives for a period of two (2) years (Dec. 26, 2014 to Dec. 25, 2016): a) Leyte II Electric Co., Inc. (LEYECO II); b) Leyte V Electric Co., Inc. (LEYECO V); c) Southern Leyte Electric Co., Inc. (SOLECO); d) Samar I Electric Co., Inc. (SAMELCO I); e) Samar II Electric Co., Inc. (SAMELCO II); f) Eastern Samar Electric Co., Inc. (ESAMELCO); and g) Northern Samar Electric Co., Inc. (NORSAMELCO); and for a period of one (1) year (Dec. 24, 2014 – Dec. 25, 2015): a) Don Orestes Romualdez Electric Co., Inc. (DORELCO); b) Leyte III Electric Co., Inc. (LEYECO III); c) Leyte IV Electric Co., Inc. (LEYECO IV); d) Biliran Electric Co., Inc. (BILECO).

Electricity Supply Agreement with Universal Robina Corp.
On September 3, 2014, TA Oil entered into Electricity Sales Contract with Universal Robina Corp (URC CMC Plant). TA Oil agreed to supply the electricity requirements Universal Robina for a period of 3 years.

Electricity Supply Agreement with Manila Water Company, Inc.
On April 30, 2015, TA Oil entered into a Contract for the Sale of Electricity with Manila Water Company, Inc. (MWCI). TA Oil agreed to supply the electricity requirements of MWCI for a period of 2 years starting on June 26, 2015.

Electricity Supply Agreement with American Wire Cables and Co.
On November 9, 2015, TA Oil entered into a Contract for the Sale of Electricity with American Wire Cables and Co.(AWCC). TA Oil agreed to supply the electricity requirements of AWCC for a period of 36 billing periods starting on May 26, 2016.

Electricity Supply Agreement with Mondelez Philippines, Inc.
On January 19, 2016, TA Oil entered into a Contract for the Sale of Electricity with Mondelez Philippines, Inc. TA Oil agreed to supply the electricity requirements of Mondelez Philippines, Inc. for a period of 36 billing periods. Delivery of electricity on will commence on February 26, 2016.

Administration Agreement for the 40 MW Strips
of the Unified Leyte Geothermal Power Plant (UL GPP)
On February 6, 2014, TAOil was officially declared a winning bidder of a 40 MW Strip of the UL GPP. Consequently, PSALM and TAOil, with conformity of the National Power Corporation entered into an Administration Agreement for the Selection and Appointment of the Independent Power Producer Administrators (IPPAs) for the Strips of Energy of the UL GPP. The term of the agreement is until 25 July 2021.

Operating Lease Commitments

TA Oil's lease agreement with Guimelco
The Parent Company has entered into a lease contract with Guimelco for a parcel of land used

only as a site for electric generating plant and facilities. The term of the lease is 10 years with a renewal option included in the contract. The Parent Company is given the first option to buy the property if the lessor decides to sell the land. The lease is at a fixed monthly rate of ₱0.02 million for the duration of the lease term. On March 27, 2015, lease contract was extended for another 10 years. As at April 25, 2016, the new fixed monthly rate is still under negotiation.

One Subic's lease agreement with SBMA
The Company has a lease contract with SBMA for a parcel of land and electric generating plant and facilities. The lease was originally entered on July 20, 2010 and was valid for five years. The agreement was amended on October 24, 2012 to extend the term of the lease to July 19, 2020 with an option to renew for another five years. The Company is given the first option to buy the property if the lessor decides to sell the land. The lease is at a fixed monthly rate of $96,762 for the duration of the lease term. Future minimum lease payments under this operating lease agreement follows:

	March 2016	December 2015
Within one year	**₱52,781**	₱52,781
After one year but not more than five years	**237,514**	237,514
	₱290,295	₱290,295

TAREC's Lease Agreement with Various Land Owners
The Company has entered into various lease agreements with individual land owners where the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased assets, which indicates that the risks and rewards relates to the asset are retained with the land owners. These leases are classified as operating leases and have terms of 20 to 25 years. Future minimum lease payments under these agreements are as follows:

	March 2016	December 2015
Within one year	**₱–**	₱–
After one year but not more than five years	**1,636**	1,636
More than five years	**10,546**	10,546
	₱12,182	₱12,182

<u>Finance Lease</u>

TAREC's Lease Agreement with Various Land Owners
The Company has entered into various lease agreements with individual land owners where the present value of the minimum lease payments amounted to at least substantially all of the fair value of the leased assets, which indicate that the risks and rewards relates to the assets are transferred to the Company. These leases are classified as finance leases and have terms of 20 to 25 years.

Future minimum lease payments under these agreements are as follows:

	2015
Within one year	₱3,106
After one year but not more than five years	50,496
More than five years	338,798
Total minimum finance lease payments	392,400
Less amount representing unamortized interest	333,524
Present value of net minimum finance lease payments	58,876
Less finance lease obligation maturing within one year	10,815
Noncurrent portion of finance lease obligation	₱48,061

Total interest expense on finance leases, amounting to ₱8.87 million for the year ended December 31, 2014, was capitalized to the wind farm (see Note 11).

In 2015, the Company recognized finance charges on finance leases amounting to ₱10.71 million included under "Interest and other finance charges" in the consolidated statement of income.

32. Fair Values

The table below presents the carrying values and fair values of the Company's financial assets and financial liabilities, by category and by class, as at March 31, 2016 and December 31, 2015:

	March 2016			
		Fair Value		
	Carrying Value	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Input (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Asset				
Investments held for trading	**₱612,749**	**₱612,749**	**₱–**	**₱–**
AFS investments	**203,147**	**203,147**	**–**	**–**
Refundable deposits**	**43,601**	**–**	**–**	**42,814**
	₱859,497	**₱815,896**	**₱–**	**₱42,814**
Liability				
Long-term debt	**₱7,177,782**	**₱–**	**₱5,601,194**	**₱–**
Deposit payable and other liabilities****	**107,172**	**–**	**–**	**106,294**
	₱7,284,954	**₱–**	**₱5,601,194**	**₱106,294**

	December 2015			
		Fair Value		
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Asset				
Investments held for trading	₱942,142	₱942,142	₱–	₱–
AFS investments	201,883	201,883	–	–
Derivative assets*	98	–	98	–
Refundable deposits**	29,268	–	–	28,643
	₱1,173,391	₱1,144,025	₱98	₱28,643

Forward

Liability				
Long-term debt	₱7,189,502	₱–	₱5,550,767	₱–
Deposit payable and other liabilities****	117,344	–	–	115,987
	₱7,306,846	₱–	₱5,550,767	₱115,987

**Included in "Other current assets" account*
***Included in "Other noncurrent assets" account*
****Included in "Accounts payable and other current liabilities" account*
*****Included in "Other noncurrent liabilities" account*

The following methods and assumptions are used to estimate the fair values of each class of financial instruments:

Cash and Cash Equivalents, Receivables, Accounts Payable and Other Current Liabilities and Due to Stockholders
The carrying amounts of cash and cash equivalents, receivables, accounts payable and other current liabilities and due to stockholders approximate their fair values due to the relatively short-term maturities of these financial instruments.

Investments Held for Trading
Net asset value per unit has been used to determine the fair values of investments held for trading.

AFS Investments
Quoted market prices have been used to determine the fair values of quoted AFS investments. The fair values of unquoted AFS investments are based on cost since the fair values are not readily determinable. The Company does not intend to dispose the unlisted AFS investments in the near future.

The fair value of derivative assets of freestanding forward currency transactions is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has no financial instruments measured at fair value using the level 3 hierarchy. Also, there were no transfers between level 1 and level 2 fair value measurements.

Derivative Assets and Liabilities

Currency Forwards
The Company entered into a forward foreign currency contracts with a bank with an aggregate notional amount of US$1.50 million in 2015. All deliverable forwards were settled during the year. The weighted average fixing rate amounted to ₱44.72 to US$1.00 in 2015. The net fair value of these currency forwards amounted to ₱1.02 million gains as at December 31, 2015.

Embedded Derivatives
The Company has bifurcated embedded derivatives from its fuel purchase contracts. The purchases are denominated in U.S. dollar but the Company agreed to pay in Philippine peso using the average daily Philippine Dealing System weighted average rate of the month prior to the month of billing. These embedded derivatives are attributable to TA Oil.

The Company's outstanding embedded forwards have an aggregate notional amount of US$0.16 million as at December 31, 2015. The weighted average fixing rate amounted to ₱47.65 to US$1.00 as at December 31, 2015. The net fair value of these embedded derivatives amounted to ₱0.10 million losses at December 31, 2015.

The net movements in fair value changes of the Company's derivative instruments (both freestanding and embedded derivatives) are as follows:

	March 2016	December 2015
Balance at beginning of year	**₱98**	(₱83)
Net changes in fair value during the year	**–**	18,048
Fair value of settled contracts	**(98)**	(17,867)
Balance at end of year	**₱–**	₱98

The fair value of derivative assets is presented under "Other current assets" account in the consolidated statement of financial position (see Note 10). The fair value of derivative liabilities is presented under "Accounts payable and other current liabilities" account in the consolidated statement of financial position (see Note 17).

33. Operating Segments

The Company is divided into two reportable operating segments based on the nature of the services provided - Power and Petroleum and Mining. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, certain operating expenses and finance-related results are managed on a group basis and are not allocated to operating segments.

	March 2016			
	Power	**Petroleum and Mining**	**Adjustments and Eliminations**	**Total**
Revenue				
External Customers	**₱3,126,796**	**₱–**	**₱4,332**	**₱3,131,128**
Costs and expenses	**2,798,986**	**4,263**	**60,017**	**2,863,266**
Results				
Provision for income tax	**–**	**–**	**(10,368)**	**(10,368)**
Interest and other financial charges	**(76,108)**	**–**	**(41,134)**	**(117,242)**
Interest and other financial income	**–**	**–**	**4,396**	**4,396**
Depreciation and amortization	**102,902**	**179**	**5,029**	**108,110**
Equity in net earnings	**119,467**	**–**	**–**	**119,467**
Segment profit	**371,169**	**(4,263)**	**(91,510)**	**275,396**
Operating assets	**₱16,668,983**	**₱142,204**	**₱1,814,971**	**₱18,626,158**
Operating liabilities	**₱7,311,786**	**₱6,179**	**₱3,271,973**	**₱10,589,938**
Other disclosure				
Capital expenditure	**₱31,079**	**₱559**	**₱2,631**	**₱34,269**
Investments and advances	**4,290,584**	**–**	**631**	**4,291,215**

a. Revenue for each operating segment does not include dividend and rental income amounting to ₱3.06 million and ₱1.27 million, respectively.

b. Costs and expenses for each operating segment does not include general and administrative expenses amounting to ₱60.02 million.

c. Profit for operating segment does not include foreign exchange loss and interest and other financial charges amounting to ₱42.36 million. Other income - net not included in the profit for operating segment includes interest income, loss on sale of AFS investments and miscellaneous income amounted to ₱6.53 million.

d. Segment assets do not include cash and cash equivalents and investments held for trading amounting to ₱970.92 million, receivables and other current assets totaling ₱338.14 million and noncurrent assets amounting to ₱505.92 million as these are managed on a group basis.

e. Segment liabilities do not include accounts payable and other current liabilities of ₱108.37 million, income and withholding taxes of ₱47.65 million, deferred income tax liabilities of ₱138.58 million, pension and other employment benefits of ₱36.93 million and short-term loans of ₱58.09 million. Long term loan amounting to ₱2.88 billion is not included in segment liabilities of operating segments.

f. Capital expenditure consists of additions to property, plant and equipment and acquisition through business combination. Investments and advances are consists of investments and cash advances to the Company's associates and joint ventures

	March 2015			
	Power	Petroleum and Mining	Adjustments and Eliminations	Total
Revenue				
External Customers	₱2,908,746	₱–	₱5,305	₱2,914,051
Costs and expenses	2,692,051	3,861	37,550	2,733,462
Results				
Provision for income tax	–	–	(10,408)	(10,408)
Interest and other financial charges	106,966	4	760	107,730
Interest and other financial income	–	–	3,334	3,334
Depreciation and amortization	91,038	148	4,798	95,984
Equity in net earnings	(2,677)	–	–	(2,677)
Segment profit	107,543	(3,847)	(28,734)	74,962
Operating assets	₱14,931,542	₱27,879	₱2,061,101	₱17,020,522
Operating liabilities	₱6,620,749	₱17,364	₱3,256,084	₱9,894,197
Other disclosure				
Capital expenditure	₱34,407	₱–	₱25	₱34,432
Disposal of asset	–	–	113	113

a. Revenue for each operating segment does not include dividend and rental income amounting to ₱4.20 million and ₱1.11 million, respectively.

b. Costs and expenses for each operating segment does not include general and administrative expenses amounting to ₱37.55 million.

c. Profit for operating segment does not include foreign exchange loss, interest and other financial charges and marked to market gain on derivatives amounting to ₱0.70 million. Other income - net not included in the profit for operating segment includes interest income, fair value gain on sale of investments held for trading and miscellaneous income amounted to ₱ 4.21 million.

d. Segment assets do not include cash and cash equivalents and investments held for trading amounting to ₱1.28 billion, receivables and other current assets totaling ₱342.09 million and noncurrent assets amounting to ₱437.17 million as these are managed on a group basis.

e. Segment liabilities do not include accounts payable and other current liabilities of ₱50.28 million, income and withholding taxes of ₱39.10 million, deferred income tax liabilities of ₱152.18 million, pension and other employment benefits of ₱30.59 million and short-term loans of ₱43.56 million. Long term loan amounting to ₱2.94 billion is not included in segment liabilities of operating segments.

f. Capital expenditure consists of additions to property, plant and equipment and acquisition through business combination. Investments and advances are consists of investments and cash advances to the Company's associates and joint ventures

34. Other Matter

As discussed in Note 19, on August 20, 2014, TA Oil distributed the cash and property dividends in the form of shares in TA Petroleum after securing SEC's approval of the registration and receipt of CAR from the BIR.

On October 22, 2014, TA Oil received from the BIR a Formal Letter of Demand (FLD) and Final Assessment Notice (FAN), assessing TA Oil for a total donor's tax due of ₱157.75 million inclusive of penalty and interest up to September 30, 2014.

On November 21, 2014, TA Oil and its independent legal counsel filed an administrative protest in response to the FLD, on the following grounds:

1) The dividend distribution is a distribution of profits by TA Oil to its stockholders and not a "disposition" as contemplated under Revenue Regulations Nos. 6-2008 and 6-2013 which would result in the realization of any capital gain of TA Oil;
2) TA Oil did not realize any gain or increase its wealth as a result of the dividend distribution; and
3) There was no donative intent on the part of TA Oil.

On May 27, 2015 TA Oil received from the BIR a Final Decision on Disputed Assessment (FDDA) dated May 26, 2015, denying the protest.

On June 25, 2015 TA Oil filed with the Court of Tax Appeals (CTA) a Petition for Review seeking a review of the FDDA and requesting the cancellation of the assessment.

On July 24, 2015 TA Oil received a letter from the BIR informing TA Oil that it will issue a Warrant of Distraint and/or Levy and Warrants of Garnishment for the assessed amount.

On July 29, 2015 TA Oil filed with the CTA an Urgent Motion to Suspend Collection of Taxes and for the Issuance of Temporary Restraining Order and/ or Writ of Preliminary Injunction. The motion was heard on August 10, 2015.

On October 20, 2015 the CTA issued a Notice of Resolution dated October 12, 2015 granting TA Oil's Motion to Suspend the collection of taxes, provided that it files a surety bond equivalent to one and one half (1 ½) times the amount to be collected.

On October 29, 2015, TA Oil filed the surety bond.

ANNEX B

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial position and results of operations of Trans-Asia Oil and Energy Development Corporation (TA) and its subsidiaries should be read in conjunction with the unaudited interim consolidated financial statements as at March 31, 2016 and 2015 and the audited consolidated financial statements as at December 31, 2015. The unaudited interim consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards.

The company posted net income of ₱265 million for the three months ended March 2016, four times that of the ₱64 million reported in the same period of 2015.

The tables below summarize the consolidated results of operations of TA's revenues, costs and expenses for the three months ended March 31, 2016 and 2015.

	For the three months ended March 31		Increase (Decrease)	
In thousands	**2016**	**2015**	**Amount**	**%**
Revenue from sale of electricity	₱3,126,796	₱2,908,746	₱218,050	7
Dividend income	3060	4,199	(1,139)	(27)
Rental income	1,272	1,106	166	15

- Consolidated revenues from sale of electricity increased with the higher energy sales from the Parent Company's power supply business and the contributions from the sale of electricity of Trans-Asia Renewable Energy Corporation (TAREC). Power Barges 101 and 102 (PB101 and 102), purchased in August 2015, declared commercial operations in February 2016, thereby adding to the revenues for the first quarter of 2016.
- Dividend income declined due to lower cash dividends received from investments.
- Rental income increased as a result of the rate escalation provision in rental contracts.

Costs and expenses

	For the three months ended March 31		Increase (Decrease)	
In thousands	**2016**	**2015**	**Amount**	**%**
Cost from sale of electricity	₱2,732,946	₱2,635,608	₱97,338	4
General and administrative expenses	130,320	97,853	32,467	33

- The increase in cost from sale of electricity was driven by the increase in energy sales in kWh. Cost of repairs and maintenance also went up with the full operation of TAREC, PB101 and PB102. PB 103, currently located in Cebu, is still undergoing rehabilitation.

- The surge in general and administrative expenses is attributed to increased level of operations as higher taxes and licenses and management and professional fees include variable expenses which are dependent on revenues and net income. During the quarter, insurance expenses and employee costs also increased due to power barge and TAREC operations.

Other income and expenses / losses

The following are material changes in other income and expenses / losses in the Consolidated Statements of Income for the three months ended March 31, 2016 and 2015:

	For the three months ended March 31		Increase (Decrease)	
In thousands	**2016**	**2015**	**Amount**	**%**
Interest and other finance charges	₱(117,242)	₱(107,730)	₱9,512	9
Equity in net income (losses) of associates and joint ventures (JV)	119,467	(2,677)	122,144	-
Other income (loss) - net*	5,309	4,778	531	11

	For the three months ended March 31		Increase (Decrease)	
In thousands	**2016**	**2015**	**Amount**	**%**
***Other income (loss) - net**				
Interest and other financial income	4,396	3,334	1,062	32
Foreign exchange gain (loss)	(1,223)	439	(1,662)	-
Loss on sale of AFS investments	40	-	40	-
MTM gain on derivatives	-	83	(83)	-
Miscellaneous income	2,096	922	1,174	127
	5,309	**4,778**		

- Interest and other finance charges for the three months ended March 31, 2016 went up due to higher long-term debt of TAREC.
- Equity in net income of associates and JV was reported in the first quarter of 2016, a reversal from a net loss in 2015 due to the contribution of South Luzon Thermal Energy Corporation (SLTEC), with both Unit 1 and Unit 2 in commercial operations.
- Other income (loss) - net went up due to the combined effects of the following:
    - Increase in interest and other financial income due to higher fair value gains on investments held for trading
    - Increase in miscellaneous income consisting mostly of billed share in expenses
    - Forex loss incurred due to depreciation of the peso.

Provision for (benefit from) income tax

In thousands	For the three months ended March 31 2016	2015	Increase (Decrease) Amount	%
Current	15,880	11,873	4,007	34
Deferred income tax	(5,511)	(1,465)	(4,046)	(276)
Total provision for income tax	**10,369**	**10,408**	39	0

- Total provision for income tax slightly went up due to higher taxable income in the first quarter of 2016, offset by movements in deferred income tax.

Material changes in Consolidated Balance Sheet accounts

ASSETS				
In thousand PHP	**March 2016**	**December 2015**	**Increase (Decrease) Amount**	**%**
	Unaudited	Audited		
Current Assets				
Investments held for trading	612,749	942,142	(323,393)	(35)
Receivables	3,844,363	3,466,310	378,053	11
Fuel & spare parts – at cost	275,006	310,929	(35,923)	(12)
Other current assets	971,480	1,052,366	(80,886)	8
Noncurrent Assets				
Deferred income tax assets - net	32,759	31,303	1,456	5
Other noncurrent assets	172,849	157,328	15,521	10

- Investments held for trading declined with the redemptions of investments to fund operations. The Consolidated Statements of Cash Flows details the material changes in cash and cash equivalents, short-term investments and investments held for trading.
- Receivables climbed with the additional customers of the Parent Company and the recognition of FIT-All receivables by TAREC from the National Transmission Corporation.
- Fuel and spare parts diminished with the increased usage of fuel by the generating plants and usage of spare parts inventory for repairs and maintenance.
- Other noncurrent assets went down due to utilization of input taxes and amortization of prepaid expenses partially offset by increase in creditable withholding taxes and deposit receivables.
- Deferred income tax assets increased due to the tax effect of pension & other post employment benefit and unrealized forex loss.
- Other noncurrent assets went up brought about by increase in deposit receivables of the Parent company.

LIABILITIES AND EQUITY	March 2016	December 2015	Increase (Decrease) Amount	%
	Unaudited	Audited		
Income and withholding taxes payable	47,653	65,517	(17,864)	(27)
Pension & other employment benefits	36,929	33,813	3,116	9
Accumulated share in other comprehensive loss of JV	(250)	(357)	(107)	(30)

- The decrease in income and withholding taxes payable was mainly due to remittance of withholding taxes on interest on TAREC loans.
- Pension and other employee's benefits increased due to the accrual of retirement expense during the period.
- Accumulated share in other comprehensive income of joint venture decreased due to the adjustment in remeasurement loss on defined benefit plan of SLTEC.

Financial Performance Indicators

KPI	Formula	31-Mar-16 Unaudited	31-Dec-15 Audited	Increase (Decrease) Difference	%
Liquidity Ratios					
Current ratio	Current assets / Current liabilities	1.91	1.89	0.02	1
Acid test ratio	Cash + Short-term investments + Accounts Receivables + Other liquid assets / Current liabilities	1.52	1.47	0.05	3
Solvency Ratios					
Debt/Equity ratio	Total Liabilities / Total Equity	1.32	1.34	(0.02)	(2)
Asset to equity ratio	Total Assets / Total Equity	2.32	2.34	(0.02)	(1)
Interest coverage* ratio	Earnings before interest & tax (EBIT) / Interest expense	n.a.*	1.70	1.65	97
Net Debt to Equity Ratio	Debt - Cash & cash equivalents / Total equity	1.20	1.18	0.02	2

** Deemed not applicable (n.a) for the interim reporting period, since this would not be comparable to the ratio reported in the previous period,.*

KPI	Formula	31-Mar-16 Unaudited	31-Mar-15 Unaudited	Increase (Decrease) Difference	%
Profitability Ratios					
Return on equity*	Net income after tax / Average stockholder's equity	3.31%	0.90%	2.41	268
Return on assets*	Net income before taxes / Total assets	1.48%	0.45%	1.03	231
Asset turnover	Revenues / Total assets	16.81%	17.34%	(.53)	(3)

Current ratio and Acid test ratio
Current ratio and acid test ratio increased due to the decline in current liabilities, particularly decrease in nontrade payables.

Debt to equity ratio
Debt to equity ratio slightly decreased due to the 1% increase in total liabilities while equity increased by 1% due to net income for the period.

Asset to equity ratio
Asset to equity ratio increased due to 1% increase in equity.

Net debt equity ratio
The net debt slightly increased due to the 3% increase in net debt as cash was used in operations.

Return on equity
Return on equity jumped due to higher income in the first quarter of 2016 as compared to the same period last year.

Return on assets
Return on asset rose due to 267% increase in net income before taxes for the first quarter of 2016 as compared to 2015..

Asset turnover
Asset turnover declined with 11% increase in total assets versus the 7% increase in revenues.

During The First Quarter of 2016:

- There were no unusual items that affected assets, liabilities, equity, net income or cash flows.
- The Company has two (2) reportable segments namely: petroleum and mining exploration and power business. The fund placements are incidental to the Company's petroleum and mining exploration and power generation activities arising from management of the Company's funds. The exploration costs are shown as "deferred exploration costs" in the consolidated balance sheets.
- There were no events that had occurred subsequent to the balance sheet date that required adjustments to or disclosure in the financial statements.
- There were no contingent assets or contingent liabilities since the last annual balance sheet date.
- There were no material contingencies and any other events or transactions that occurred that were material to an understanding of the current year.
- There were no operations subject to seasonality and cyclicality except for the operation of TAREC's wind farm. The wind regime is high during the first quarter and wind turbines generate more power to be supplied to the grid. The generation drops in the next 6 months due to low wind regime.
- There were no material trends, demands, commitments, events or uncertainties known to the Company that would likely affect adversely the liquidity of the Company except for those mentioned above.
- There were no trends, events or uncertainties that have had or that were reasonably expected to have material favorable or unfavorable impact on net revenues/income from continuing operations except those mentioned above.
- There were no significant elements of income or loss that did not arise from continuing operations that had material effect on the financial condition or result of operations.
- There were no events that trigger direct or contingent financial obligation that was material to the Company.
- There were no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the period except for those mentioned above.

Annex "B-1"

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

PROGRESS REPORT
For the Quarter, January 1, 2016 to March 31, 2016

SC 6 Block A (Northwest Palawan)

Seismic data reprocessing work was 60% completed.

TAPET has 7.78% participating interest in SC 6 Block A.

SC 6 Block B (Northwest Palawan)

Seismic data reprocessing work was completed.

TAPET owns 14.063% participating interest in SC 6 Block B.

SC 51 (East Visayas)

The Filipino partners (non-operators) negotiated with the DOE regarding their request for revision of the Sub-Phase 5 work program and declaration of force majeure. Approval of Otto Energy's (Operator) withdrawal from SC 51 remains pending with the DOE.

TAPET holds 6.67% participating interest in SC 51, which will be adjusted to 33.34% upon DOE approval of the withdrawal of Otto Energy.

SC 55 (Ultra Deepwater West Palawan)

The consortium's request for a 2–year moratorium is under consideration by the DOE.

Palawan55 Exploration & Production Corporation, subsidiary of TAPET, has 6.82% participating interest in SC 55.

SC 69 (Camotes Sea)

The DOE approved the conduct of a multi-client 2D seismic survey proposed by a service company in a number of areas. The seismic campaign includes a program in the SC 69 block.

TAPET holds 50% participating interest in SC 69.

SC 50 (Northwest Palawan)

The DOE ruled that the tenure of SC 50 expired. Frontier Energy, the Operator, appealed the DOE's decision.

TAPET's 10% participating interest in SC 50 awaits approval by the DOE.

Certified Correct:

RAYMUNDO A. REYES, JR.
EVP and COO

Signed in the presence of:

Reports on SEC Form 17-C

The Company filed the following reports on SEC 17-C during the first quarter ended March 31, 2016 covered by this report:

Date of filing	**Item Reported**
January 26, 2016	Notice of Annual Shareholders Meeting of Trans-Asia Oil and Energy Development Corporation..." Please be advised that the annual meeting of shareholders of TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION will be held on Tuesday, April 12, 2016, at 2:00 in the afternoon at the Manila Peninsula Hotel, Makati City. 1. Call to Order 2. Proof of Notice and Determination of Quorum 3. Minutes of Previous Meeting 4. Annual Report of Management and Confirmation of all acts of the Board of Directors and of Management since the last Annual Shareholders Meeting 5. Election of Directors 6. Amendment of Articles of Incorporation and By-Laws to change the name of the Corporation to PHINMA ENERGY CORPORATION 7. Amendment of the By-Laws to state the precise address of the principal office of the Corporation 8. Amendment of the Articles of Incorporation to extend the corporate term 9. Appointment of External Auditors 10. Other Matters 11. Adjournment For the explanation of each agenda item, please refer to the attached Annex "A".
January 26, 2016	For the amendment of Article I, the SEC approved on July 3, 2015 the amendment of the Corporation's Articles of Incorporation in order to state the precise address of the principal office. In line with this, the Board of Directors approved, subject to shareholders' approval, the amendment of Article I of the By-Laws to state that the principal office of

	the Corporation is at Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City. For the amendment of the Caption - In view of the board approval of the Articles of Incorporation to change the corporate name to PHINMA Energy Corporation, the Board likewise approved the amendment of its By-Laws to reflect its new corporate name.
January 28, 2016	Trans-Asia Oil and Energy Development Corporation renamed PHINMA Energy Corporation With our history of almost 60 years of successfully managing business enterprises, PHINMA has developed a reputation for integrity, professionalism and trustworthiness. In our core businesses of energy, education, housing, hotels, steel products and strategic consulting, our focus has been on making lives better for our fellow Filipinos resulting in 1.2 million homes being powered, 3 million guests welcomed, almost 12,000 families housed, almost 17,000 students graduated and over 6.5 million homes provided with roofs. Moving forward renaming Trans-Asia Oil and Energy Development Corporation to PHINMA Energy Corporation is a key step in enhancing the integration of our strategic business units by combining the commercial success of Trans-Asia with the strong brand and management expertise of PHINMA. Through this, we look forward to continuing to serve the Philippines by supplying reliable and efficient energy to consumers.
January 28, 2016	Notice of Annual Shareholders Meeting of Trans-Asia Oil and Energy Development Corporation...” Please be advised that the annual meeting of shareholders of TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION will be held on

Tuesday, April 12, 2016, at 2:00 in the afternoon at the Manila Peninsula Hotel, Makati City.

1. Call to Order
2. Proof of Notice and Determination of Quorum
3. Minutes of Previous Meeting
4. Annual Report of Management and Confirmation of all acts of the Board of Directors and of Management since the last Annual Shareholders Meeting
5. Election of Directors
6. Amendment of Articles of Incorporation and By-Laws to change the name of the Corporation to PHINMA ENERGY CORPORATION
7. Amendment of the By-Laws to state the precise address of the principal office of the Corporation
8. Amendment of the Articles of Incorporation to extend the corporate term
9. Appointment of External Auditors
10. Other Matters
11. Adjournment

For the explanation of each agenda item, please refer to the attached Annex "A".

Amended to change the word "ratification" to "confirmation" under Item 4 (Annual Report of Management and Confirmation of all acts of the Board of Directors and of Management since the last Annual Shareholders Meeting)

January 29, 2016	Notice of Annual Shareholders Meeting of Trans-Asia Oil and Energy Development Corporation..."

Please be advised that the annual meeting of shareholders of TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION will be held on Tuesday, April 12, 2016, at 2:00 in the afternoon at the Manila Peninsula Hotel, Makati City.

	1. Call to Order 2. Proof of Notice and Determination of Quorum 3. Minutes of Previous Meeting 4. Annual Report of Management and Confirmation of all acts of the Board of Directors and of Management since the last Annual Shareholders Meeting 5. Election of Directors 6. Amendment of Articles of Incorporation and By-Laws to change the name of the Corporation to PHINMA ENERGY CORPORATION 7. Amendment of the By-Laws to state the precise address of the principal office of the Corporation 8. Amendment of the Articles of Incorporation to extend the corporate term 9. Appointment of External Auditors 10. Other Matters 11. Adjournment For the explanation of each agenda item, please refer to the attached Annex "A". Amended to attach correct SEC received notice.
February 24, 2016	Declaration of cash dividend of P 0.04 per share payable on March 23, 2016 to all shareholders of record as of March 09, 2016 Please be informed that at the regular meeting of the Board of Directors of Trans-Asia Oil and Energy Development Corporation held today, 23 February 2016, the following approved: 1. Audited Financial Statements of 2015, showing consolidated net income of ₱ 905.8 million; 2. Cash dividend of ₱0.04 per share, payable on 23 March 2016, to all shareholders of record as of 09 March 2016.

February 24, 2016	Amend- Declaration of cash Dividends Declaration of cash dividend of P 0.04 per share payable on March 23, 2016 to all shareholders of record as of March 9, 2016 Please be informed that at the regular meeting of the Board of Directors of Trans-Asia Oil and Energy Development Corporation held today, 23 February 2016, the following approved: 1. Audited Financial Statements of 2015, showing consolidated net income of ₱ 905.8 million; 2. Cash dividend of ₱0.04 per share, payable on 23 March 2016, to all shareholders of record as of 09 March 2016. Amended disclosure to reflect currency of Amount of Cash Dividend per share and changed Source of Dividend Payment from Company's own fund to Retained Earnings as of 31 December 2015.
February 24, 2016	South Luzon Thermal Energy Corporation (SLTEC) Unit 2 Declares Commercial Operations South Luzon Thermal Energy Corporation (SLTEC) announces the start of operations of its second 135 MW Unit in Calaca, Batangas, doubling the capacity of the plant and bringing additional power supply to the Luzon grid. SLTEC is a 50/50 joint venture between Trans-Asia Oil and Energy Development Corporation (Trans-Asia) and AC Energy Holdings, Inc. (ACEHI). Trans-Asia is the energy arm of the PHINMA Group, while ACEHI is a wholly-owned subsidiary of the Ayala Corporation. The 2 x 135MW Power Plant in Calaca, Batangas utilizes clean coal technology or CFB (Circulating Fluidized Bed) to reduce emissions and minimize environmental impact.

Construction of the 2nd unit was completed in the second half of 2015. It was synchronized to the grid on August 15, 2015 and passed reliability and performance tests early this year.

The 1st unit started operations on April 24, 2015 and achieved gross generation output of 553.8 GWh by the end of 2015. The unit is currently under annual preventive maintenance.

March 31, 2016	Geothermal Service Contract No. 8

Please be informed that the Mabini Consortium ` awarded today a PhP 48 million drilling contract for the first exploratory well in the block to Diamond Drilling Corporation of the Philippines.

The well MAB-1 will be drilled to a total depth of at least 1,500 meters to test a potential geothermal resource previously identified by geophysical and geological techniques. Drilling is expected to start in the first week of May 2016 and will take around 2 ½ to 3 months to complete.

Trans-Asia has 25% participating interest in GSC No. 8.